



# THE FUTURE OF HEALTHCARE

Integrated Report 2018



**Care for Life**

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# OUR VISION

## THE PREFERRED HEALTHCARE PROVIDER

Our fundamental purpose is the delivery of exceptional health treatment, care and diagnosis to all our patients. We are dedicated to being the preferred provider of care, with innovative use of technology, experienced doctors and well-trained staff who collaborate to offer the best diagnosis and treatment plans.

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# OUR MISSION

## DELIVER QUALITY HEALTHCARE SERVICES

Our mission is to improve the health of the people and the communities we serve. Led by skilled and caring medical staff, we are consistently focused on clinical excellence and innovative technology for superior patient outcomes.

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# OUR CORE VALUES

## VALUES THAT GUIDE US

Our values represent the philosophy of our organisation and guides all our decision-making and actions. We strive to maintain a patient-centered environment, focused on compassionate care, based on the intrinsic part of our commitment to Care for Life in every aspect of our operations. Our core values are therefore



ENSURING  
SAFETY



DELIVERING  
SERVICE WITH  
COURTESY



PERFORMING  
DUTIES WITH  
INTEGRITY



EXERCISING  
PROFESSIONALISM  
AT ALL TIMES



STRIVING FOR  
CONTINUOUS  
IMPROVEMENT

**INSIDE THIS REPORT**



**PAGE 52 CHAIRMAN'S STATEMENT**



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# ABOUT THIS REPORT



**KPJ HEALTHCARE  
BERHAD (KPJ) HAS  
A FULL SUITE  
OF REPORTING  
PUBLICATIONS  
WHICH ADHERE TO  
THE GUIDELINES  
LAID DOWN  
BY BURSA  
MALAYSIA'S MAIN  
MARKET LISTING  
REQUIREMENTS.**

## **REPORTING PHILOSOPHY – OUR FIRST INTEGRATED REPORT**

Since 2016, KPJ Healthcare Berhad (KPJ or the Group) has embarked on the path of integrated thinking and the presentation of its reporting format with the aim of presenting a clear and detailed account on our Group, our businesses, our strategies, as well as how we create and share value with and for all our stakeholders.

Applying global best practices and guided by the International Integrated Reporting Council (IIRC), we have been moving towards a concise and focused business reporting format which offers a complete strategic vision of the company. The adoption of Integrated Reporting remains modest in Malaysia, where five companies published Integrated Reports in 2016, compared to none in 2015. The trend is growing where 3000 companies globally have published their Integrated Reports as a result of the expectations of investors, customers, business partners, non-governmental organisations (NGOs) and employees converging to demand greater readability, clarity, coherence, materiality and connectivity of information.

This 2018 Integrated Report is a major milestone for KPJ as it underpins our commitment to sustainable and long-term value creation. We seek to demonstrate the relationship between our resources, actions and the value we create. The report illustrates the links between our financial and non-financial risks, and the opportunities we capitalise upon.

## **REPORTING SUITE**

In 2018, the Group's value creation process will be encapsulated within a coherent framework in terms of content and graphics within the following reporting suite:

- Integrated Report 2018 (hardcopy and online publication)

- Sustainability Report 2018 (hard copy and online publication)
- Corporate Governance Report (online publication)
- Financial Report 2018 (hardcopy and online publication)

All documents are available on KPJ Healthcare Berhad's website at <http://www.kpjhealth.com.my>

## **REPORTING SCOPE AND BOUNDARY**

This IR extends beyond financial reporting and includes non-financial performance, opportunities, risks and outcomes attributable to, or associated with, our key stakeholders, which have a significant influence on our ability to create value.

The 2018 Integrated Report covers the period from 1 January to 31 December 2018 and builds on our previous publications. The report covers the primary activities of the group, namely our operations in Malaysia, Indonesia, Thailand, Bangladesh and Australia.

## **REPORTING FRAMEWORKS**

The report complies with prevailing regulations and is in accordance with the International <IR> Framework by the IIRC. We apply and take into account the amendments to the Listing Requirements relating to corporate governance (CG) announced on the 29 November 2017 pursuant to the implementation of the Companies Act 2016 (CA 2016) and the launch of the new Malaysian Code on Corporate Governance released in 2017 (MCCG 2017) from the Securities Commission on 26 April 2017.

The financial position of the Group and of the Company is prepared in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the CA 2016 for the financial year ended, 31 December 2018.

**NAVIGATING THIS REPORT**

Throughout this IR, we have linked our value creation activities against our six capitals and seven strategic thrusts with the following icons.

**Our Six Capitals**



FINANCIAL CAPITAL



MANUFACTURED CAPITAL



NATURAL CAPITAL



HUMAN CAPITAL



INTELLECTUAL CAPITAL



SOCIAL AND RELATIONSHIP CAPITAL

**Our Seven Strategic Thrusts**



CAPACITY BUILDING



ENRICHED CUSTOMER RELATIONSHIPS



INNOVATION @ THE CORE



NEW NICHES



TALENT MANAGEMENT



BUSINESS PROCESS IMPROVEMENT



SUSTAINABLE VALUE FOR STAKEHOLDERS

Our non-financial information is reported against the new Global Reporting Initiative Sustainability Reporting Standards (GRI Standards) and the information provided serves as a progress report on the implementation of the 15 of the 17 United Nations Sustainability Development Goals (UN SDGs). Another first for KPJ this year, we have identified our roles, actions and contribution towards the UN SDGs. These SDGs are referred to in our standalone Sustainability Report (SR) in a relevant and meaningful manner.

**APPROVAL BY THE BOARD**

The Board has applied its collective mind in preparing and presenting the KPJ IR, as guided by the International <IR> Framework by the IIRC. The Board acknowledges its responsibility in ensuring the integrity of this report, through good governance practices and internal reporting procedures.

**ASSURANCE**

Our Annual Financial Statements (FS) have been audited, as fully disclosed in the Statutory Annual Financial Report 2018. At this moment, we have no formal policy with regard to the external assurance of our Sustainability Report. However, as we have begun with our IR journey we envisage that external assurance could be part of the process moving forward. Both of those processes from our IR this year, which contains both financial and non-financial indicators.

**MATERIALITY AND FORWARD-LOOKING STATEMENTS**

**MATERIALITY**

We have conducted our materiality assessment in prior years, in line with Bursa Malaysia's listing requirements. As we revisited our material matters, we have linked them with our six capitals. This underlines the relationship between our ability to create impact and the areas in which we impact.

**FORWARD-LOOKING STATEMENTS**

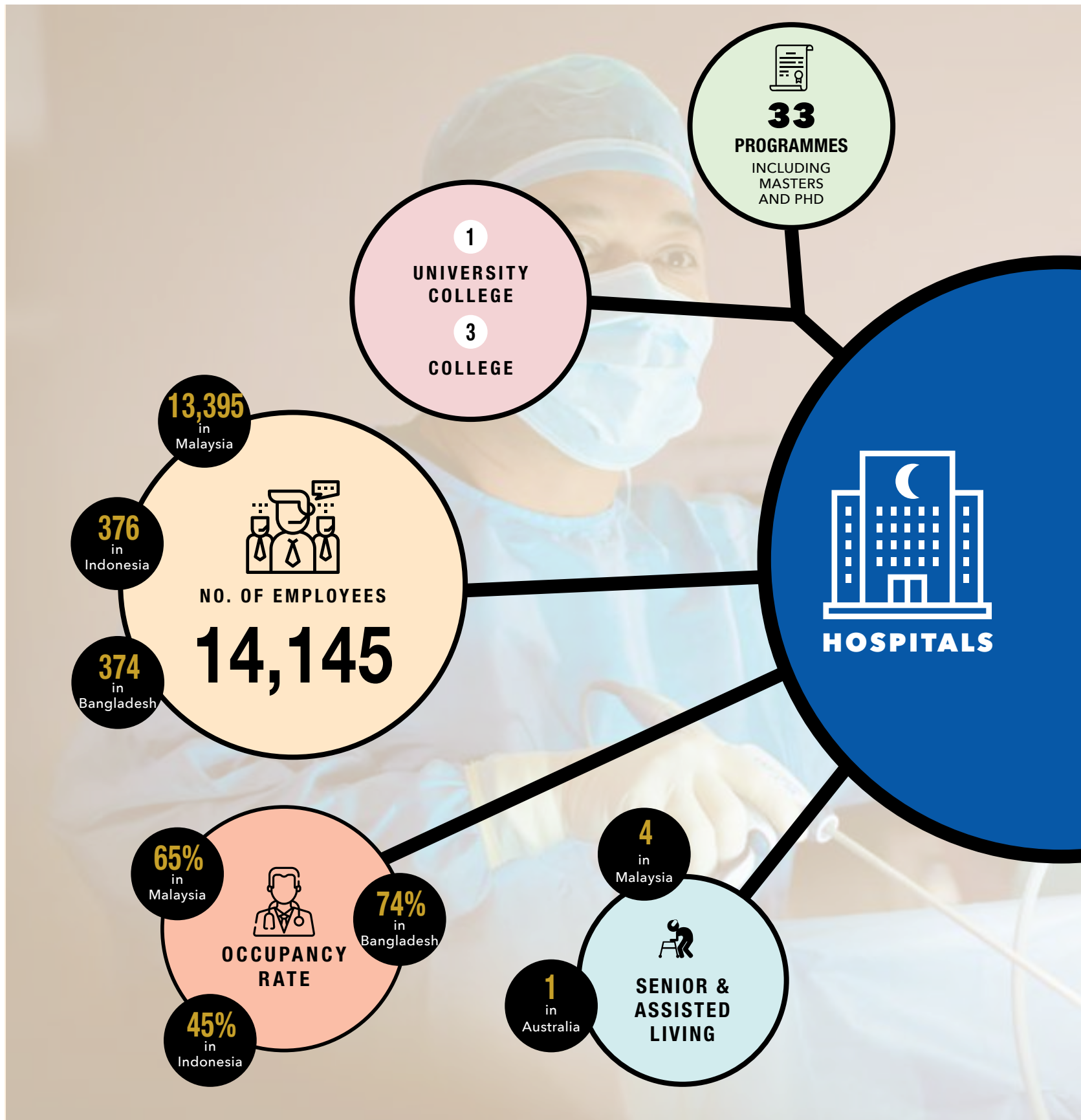
This report contains forward-looking statements characterised by the use of words and phrases such as "might", "forecast", "anticipate", "project", "may", "believe", "predict", "expect", "continue", "will", "estimate", "target", and other similar expressions. As our business operates in a changing environment, it is subject to uncertainties that could cause actual results to differ from those reflected in the forward-looking statements.

**FEEDBACK**

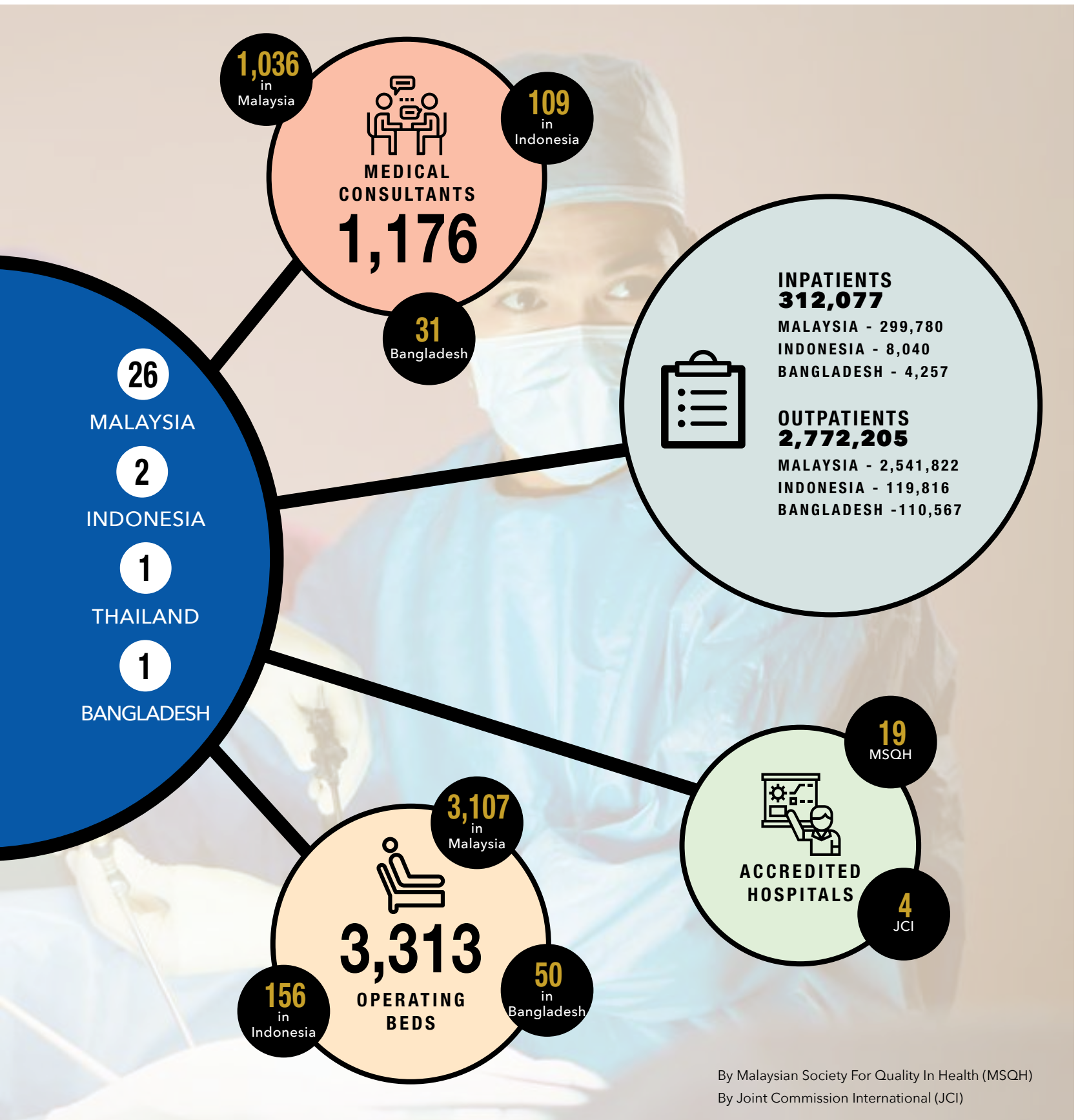
Our reporting process is intended to move beyond compliance to generate meaningful and inclusive engagement with our stakeholders. This is aligned with our desire to engender a culture of accountability and trust so as to strengthen our relationships with our stakeholders. We welcome all feedback on our suite of reports on any aspect of our financial and non-financial performance. All comments and feedback can be directed to our Investor Relations Unit at <http://kpj.listedcompany.com/contact.html>

REPORTING SUITE	INTEGRATED REPORT 2018	SUSTAINABILITY REPORT 2018	FINANCIAL REPORT 2018
Disclosure	<ul style="list-style-type: none"> <li>MD&amp;A</li> <li>FS &amp; SR Corporate Governance Overview</li> <li>Audit Committee Report</li> <li>Statement on Risk Management and Internal Control (SORMIC)</li> </ul>	<ul style="list-style-type: none"> <li>Global Reporting Initiative (GRI)</li> </ul>	<ul style="list-style-type: none"> <li>Directors' Report</li> <li>Notes to FS</li> <li>Independent Auditor's Report</li> </ul>
Reporting Framework	<ul style="list-style-type: none"> <li>Malaysian Code on Corporate Governance 2017</li> <li>Bursa Malaysia Securities Berhad Listing Requirement (BMLR)</li> <li>IIRC Integrated Reporting Framework</li> <li>Companies Act 2016 (CA 2016)</li> </ul>	<ul style="list-style-type: none"> <li>GRI Standards</li> <li>FTSE4Good</li> <li>Bursa Malaysia/ASEAN 5</li> <li>BMLR</li> </ul>	<ul style="list-style-type: none"> <li>IFRS/MFRS</li> <li>CA 2016</li> <li>BMLR</li> </ul>

# AT A GLANCE

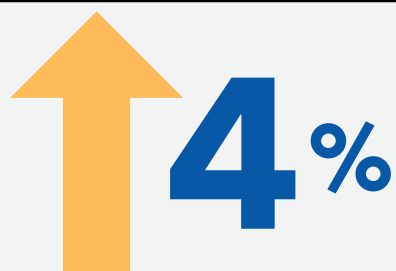


AT A GLANCE



By Malaysian Society For Quality In Health (MSQH)  
By Joint Commission International (JCI)

# VALUE CREATION 2018



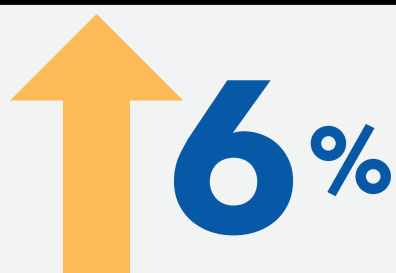
## REVENUE GROWTH

2018: RM3.3 bil  
2017: RM3.2 bil



## DIVIDEND GROWTH

2018: 2.0 sen  
2017: 1.8 sen



## EMPLOYEE BENEFIT

2018: RM738.2 mil  
2017: RM693.9 mil



## COMMUNITY INVESTMENT

2018: RM13.2 mil  
2017: RM10.0 mil



## GOVERNMENT APPROVED AGENCIES

2018: RM76.5 mil  
2017: RM60.0 mil



# CORPORATE INFORMATION

## REGISTERED OFFICE

### KPJ Healthcare Berhad (247079-M)

Level 16,  
Menara KOMTAR,  
Johor Bahru City Centre,  
80000 Johor Bahru,  
Johor, Malaysia.

T (607) 219 2692/223 2692

F (607) 223 3175

## CORPORATE OFFICE

### KPJ Healthcare Berhad

Level 12, Menara KPJ,  
238, Jalan Tun Razak,  
50400 Kuala Lumpur,  
Malaysia.

T (603) 2681 6222

F (603) 2681 6888

E [kpj@kpjhealth.com.my](mailto:kpj@kpjhealth.com.my)

## PRINCIPAL BANKERS

### Maybank Islamic Berhad

Menara Maybank,  
100, Jalan Tun Perak,  
50050 Kuala Lumpur,  
Malaysia.

### HSBC Amanah

### Malaysia Berhad

No. 2, Leboh Ampang,  
50100 Kuala Lumpur,  
Malaysia.

## REGISTRAR

### Johor Corporation

Level 16,  
Menara KOMTAR,  
Johor Bahru City Centre,  
80000 Johor Bahru,  
Johor, Malaysia.

T (607) 219 2692/223 2692

F (607) 223 3175

## STOCK EXCHANGE LISTING

### Bursa Malaysia Securities Berhad

### Main Market

(Listed since 29 November 1994)

Stock code: KPJ (5878)

## AUDITOR

### PricewaterhouseCoopers PLT

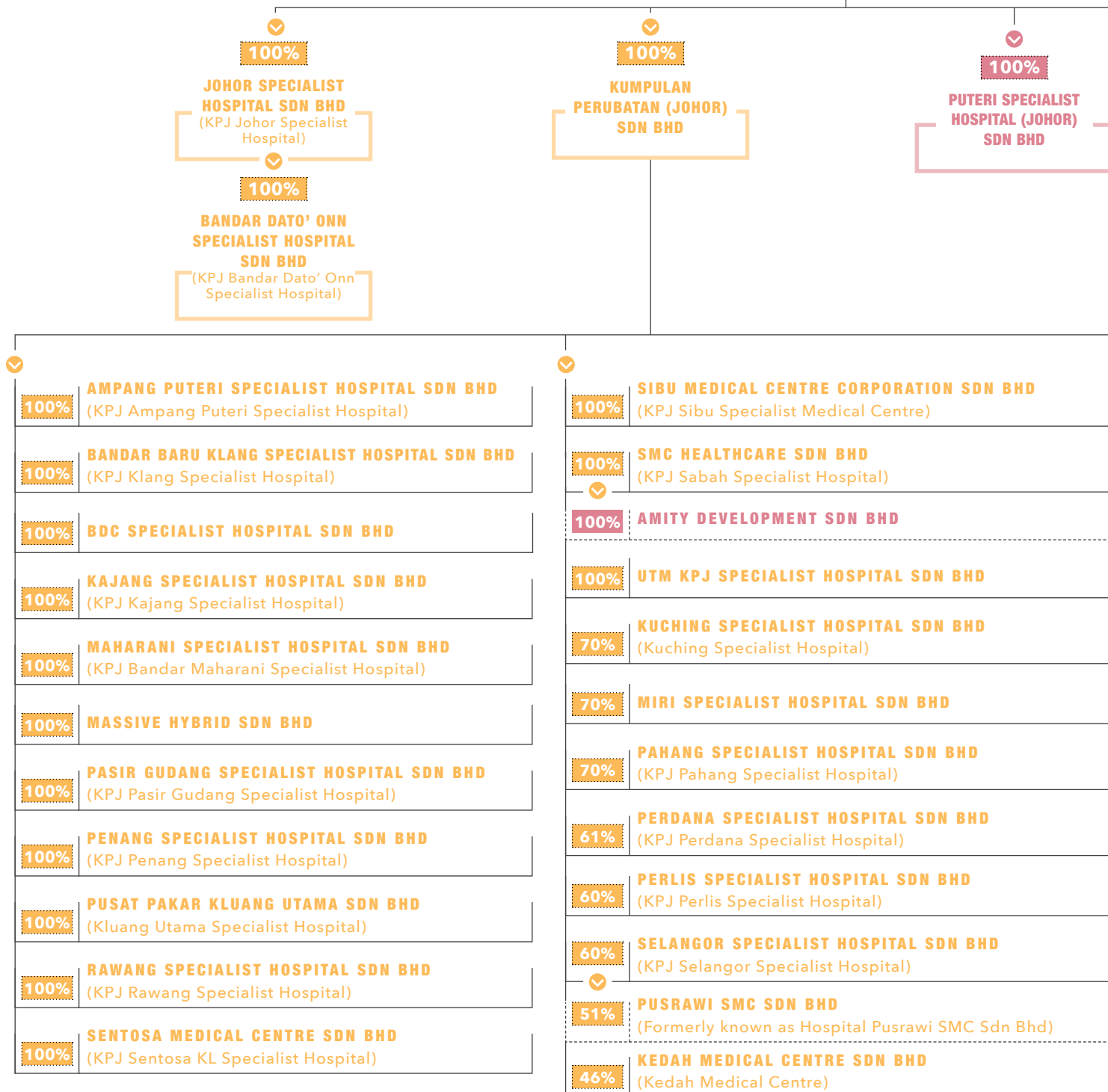
Level 10, 1 Sentral, Jalan Rakyat,  
Kuala Lumpur Sentral,  
P. O. Box 10192,  
50706 Kuala Lumpur,  
Malaysia.

## COMPANY SECRETARIES

Hana Ab Rahim @ Ali  
(MAICSA 7064336)

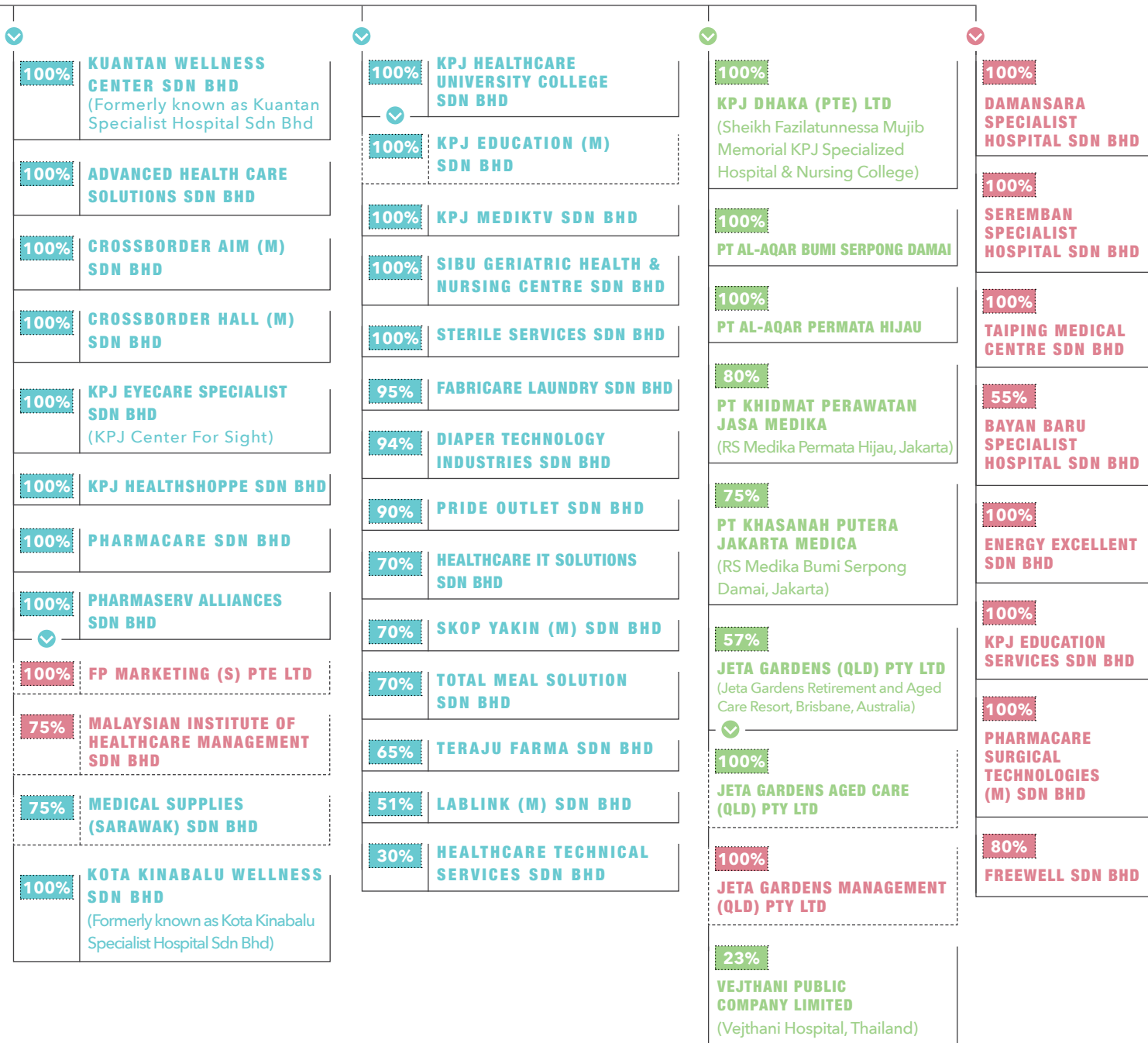
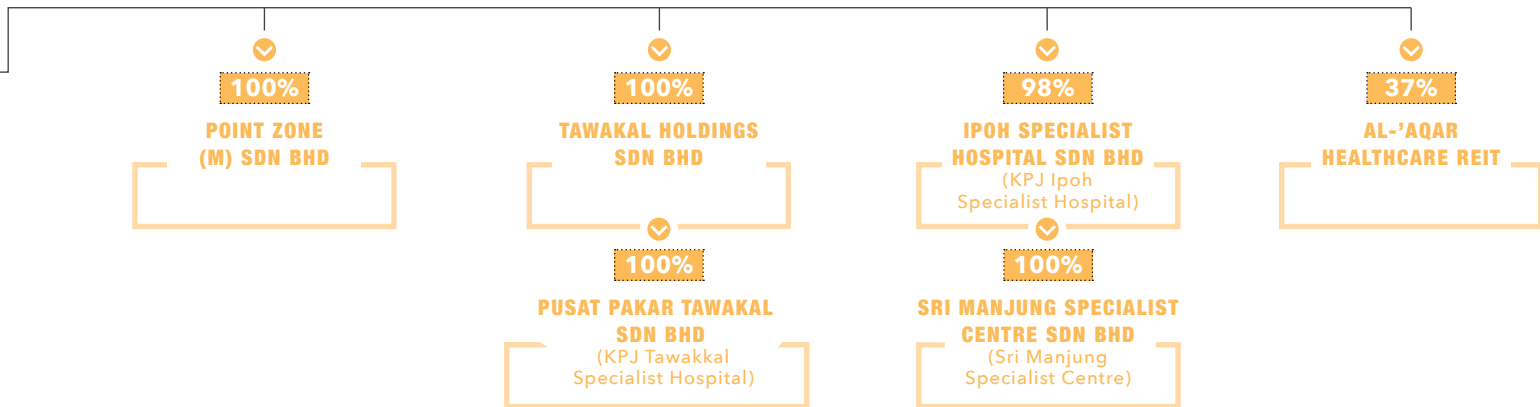
Haslinda Binti Md Nor @ Mohd Noah  
(LS 0005697)

# CORPORATE STRUCTURE



- MALAYSIAN OPERATIONS
- SUPPORT SERVICES
- OVERSEAS OPERATIONS
- DORMANT COMPANIES

CORPORATE STRUCTURE



# ABOUT KPJ HEALTHCARE BERHAD

## WHAT WE DO

KPJ HAS A RESILIENT BUSINESS MODEL, DRAWN FROM OUR 38 YEARS' EXPERIENCE IN THE MALAYSIAN PRIVATE HEALTHCARE INDUSTRY.

OUR VALUE ECOSYSTEM CENTRES ON MANAGING A NETWORK OF SPECIALIST HOSPITALS, SUPPORTED BY STRATEGIC INVESTMENTS IN A DIVERSIFIED PORTFOLIO. WE ARE IN A POSITION TO CREATE SUSTAINABLE LONG-TERM VALUE FOR ALL OUR STAKEHOLDERS.



### HOSPITAL OPERATIONS

The role of our Hospital Operations Division is to provide direction and strategies for all hospitals in the KPJ Group. This Division sustainably strengthens core components of our operations - including through the streamlining of operational processes, the enhancement of hospital systems and expansion of organisational capacity. All these provide KPJ with a clear sense of purpose, amidst national and regional market uncertainties and business challenges.

### KPJ'S VALUE ECOSYSTEM



#### HOSPITAL OPERATIONS

Our Hospital Operations division plays an integral role in supporting the smooth running of our network of hospitals through:

- Continuously reviewing and streamlining processes
- Enhancing hospital systems
- Expanding existing hospitals' capacities to cater to market demand
- Structured professional development



#### NEW HOSPITAL DEVELOPMENT

The New Hospital Development or Business Development Unit is responsible for expanding KPJ's network of hospitals through adaptations or changes in the business model for new hospital development, such as design, build and lease models, or joint venture concepts to reduce gearing.



#### CLINICAL OPERATIONS

Our Clinical Operations ensures that all the components of clinical governance are in place, with the monitoring of compliance by the Group Medical Advisory Committee to ensure best patient outcomes and ascertaining that patients' safety is not compromised. It also monitors the performance outcomes of several procedures which are then used to promote KPJ's healthcare services as a preferred healthcare provider.

### NEW HOSPITAL DEVELOPMENT

KPJ's commitment to continuous growth of both greenfield and brownfield projects have led to increased capacity. The New Hospital Division strengthens KPJ's position as a leading provider of healthcare services in Malaysia.

## ABOUT KPJ HEALTHCARE BERHAD

**AMBULATORY CARE**

The provision of outpatient services include the following:

- KPJ KL Dental Specialist Centre
- KPJ KL Rehabilitation Centre
- Haemodialysis services
- Consultant clinical specialists
- KPJ Centre For Sight
- KPJ Wellness & Lifestyle Programme

**ANCILLARY SERVICES**

Ensure the smooth operations of our network of hospitals through:

- Supply-distribution value chain
- Reducing dependencies on outsourced third party vendors and supplies
- Intrapreneur Companies
- Pharmaceutical
- Sterilisation of Surgical Equipment

**DIAGNOSTIC SERVICES**

Our Diagnostic Services division drives innovation and growth in KPJ through investments in cutting edge medical technologies and equipment.

**EDUCATION**

- KPJ Healthcare University College (KPJUC) provides a wide range of medical and healthcare qualifications.
- Malaysia College of Hospitality & Management (MCHM) trains professionals in Culinary Arts, Hotel and Restaurant Management, as well as in Early Childhood Education. For further details for what we do at MCHM, please click onto their website at <http://mchm.edu.my/>

**SENIOR & ASSISTED LIVING CARE**

This segment provides customised packages at our three assisted living facilities in Malaysia and one in Australia.

- Home Nursing/Assisted Living Care

**HEALTH TOURISM**

Positioning KPJ as the preferred provider among international health tourists, aimed at:

- Increasing Group revenue and patient loads by venturing into new markets like Vietnam, Brunei and China
- Boosting KPJ branding regionally and internationally
- Enhancing our patients' healthcare experience and standards with selected KPJ hospitals having embarked on the patients' experience quality process
- Promoting Malaysia as a preferred healthcare destination with our extensive network of hospitals nationwide

**CLINICAL OPERATIONS**

This Division is in charge of developing, implementing and monitoring high clinical standards throughout the Group. Continuous monitoring and compliance are conducted by the Group Medical Advisory Committee (MAC), to ensure KPJ's consistently high standards of patient safety and treatment outcomes.

**AMBULATORY CARE CENTRES**

The provision of safe and efficient outpatient services is carried out by KPJ KL Dental Specialist Centre, KPJ Rehabilitation Centre, haemodialysis services, consultant clinical specialists and KPJ Centre for Sight. The new Hospital Division includes the subscription-based KPJ Wellness and Lifestyle Programme, which leverages on the growing focus on preventive care.



#### DIAGNOSTIC SERVICES

KPJ's Diagnostic Services is a key driver of innovation, with investments in cutting edge medical technology and equipment. This includes pathology and diagnostic services offered by Lablink.

#### SENIOR & ASSISTED LIVING CARE

Catering to the needs of senior citizens, and individuals who require physical rehabilitation, are five senior & assisted living care services, i.e. Jeta Gardens Retirement Resort in Brisbane, Australia; Sibü Geriatric Health and Nursing Care in Sibü, Sarawak; KPJ Tawakkal Health Centre in Kuala Lumpur; and KPJ Kuantan Wellness Centre, in Kuantan, Pahang; as well as Damai Wellness Centre in Kota Kinabalu, Sabah.

#### ANCILLARY SERVICES

These companies support the core operations of the Group by sourcing for pharmaceutical and medical consumables to meet needs of hospitals as well as the provision of sterile services, laundry and inpatient meals.

#### EDUCATION

KPJ's education arm, with KPJ Healthcare University College (KPJUC), has its main campus in Negeri Sembilan and 2 branches located each in Johor and Penang. Focussing on creating healthcare professionals - from foundation to PhD levels, KPJUC helps KPJ become a more competitive as a business.

#### HEALTH TOURISM

KPJ's provision of health tourism positive services is targeted towards international health tourists from new markets such as Vietnam, Brunei and China. Its success is based on regional and international recognition of the KPJ brand as being synonymous with excellent healthcare services and patient outcomes. We play a vital role in promoting Malaysia as the preferred healthcare destination through our extensive network of hospitals nationwide.

ABOUT KPJ HEALTHCARE BERHAD

# WHERE WE OPERATE

KPJ's regional footprint spans the five countries of Malaysia, Indonesia, Thailand, Bangladesh and Australia, providing treatment and healthcare solutions to over 3 million patients in 2018.

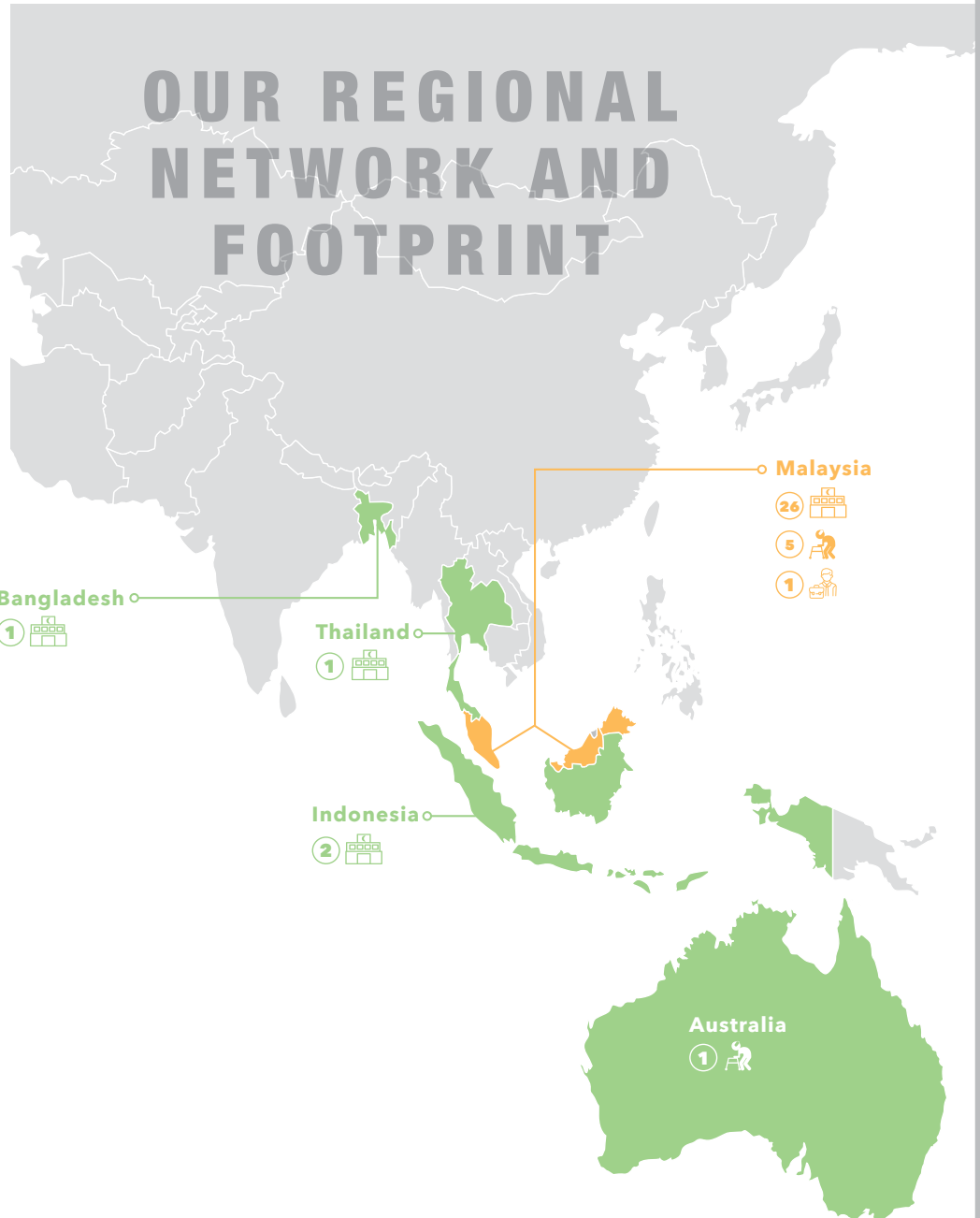
**5**  
COUNTRIES  
across Asia Pacific

**26**  
SPECIALIST  
HOSPITALS  
located throughout the nation

**4**  
OVERSEAS  
HOSPITALS  
i.e. in Indonesia, Thailand and Bangladesh.

**SENIOR & ASSISTED LIVING CARE**  
Jeta Gardens, Australia  
4 in Malaysia

**1**  
UNIVERSITY COLLEGE  
**2**  
BRANCHES



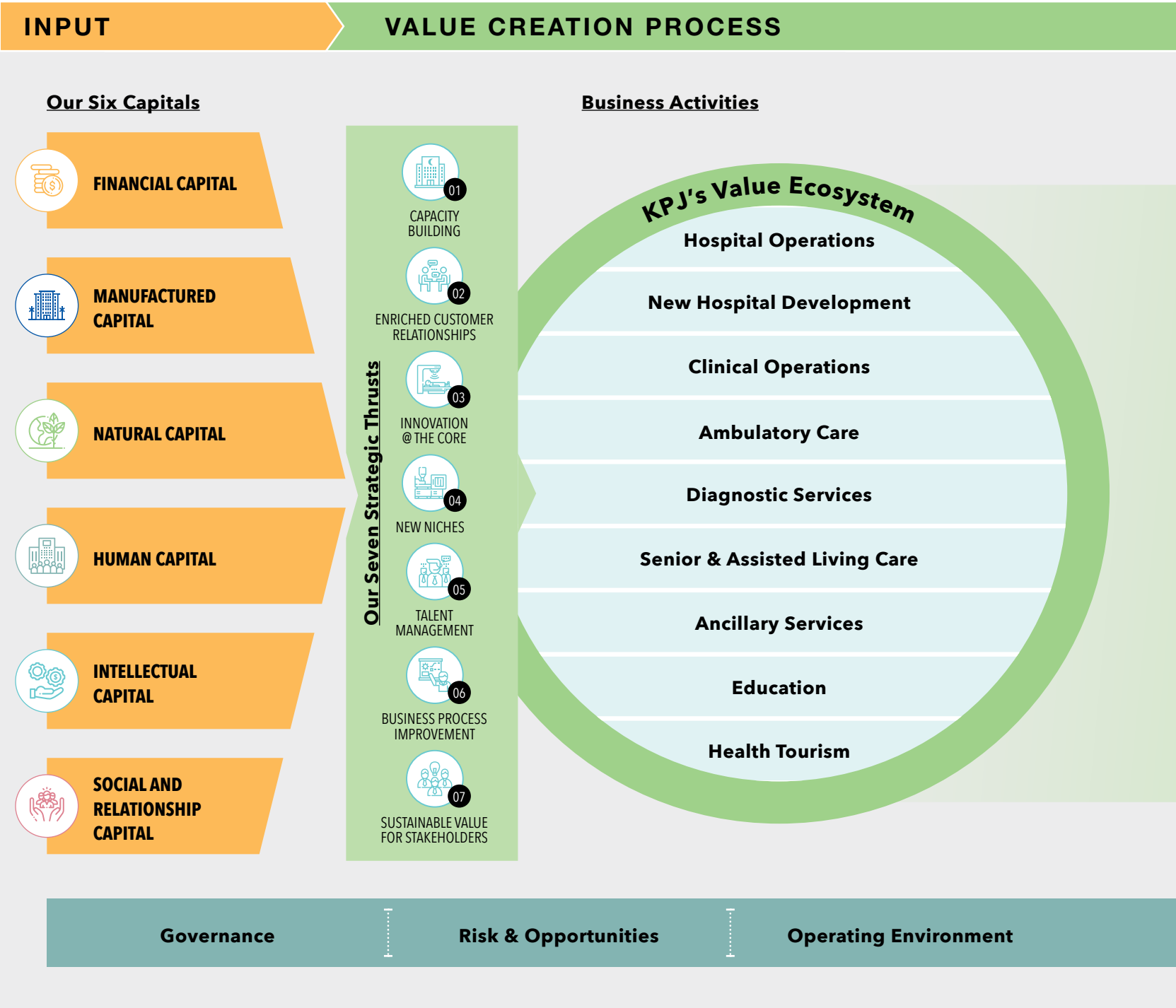
- Hospital
- Senior & Assisted Living Care Centres
- University College



# HOW WE CREATE VALUE

KPJ's value creation model is premised on our philosophy of growing our business sustainably, and is aligned with our mission to be the preferred healthcare provider. In creating sustainable long-term value for our stakeholders, our activities are focused on generating and obtaining outcomes that fulfil the following parameters, which are in turn crucial on driving our long-term value creation:

- To tap into growth opportunities available arising from increasing demand for private healthcare services in Malaysia as well as regionally.
- To ensure the sustainable development of medical and non-medical professional talents, to enhance our Group's knowledge and expertise in healthcare services.





HOW WE CREATE VALUE


- Adhering to a strong Clinical Governance Framework to safeguard patients' safety through accreditation by the Malaysian Society for Quality in Health (MSQH) and Joint Commission International (JCI).
- Equipping our network of hospitals with state of the art facilities and equipment in line with expectations of our local and international patient base.
- Leveraging on healthcare innovation and technology to retain our position as the leading healthcare solutions provider in Malaysia.


OUTCOMES AND VALUE CREATED


Outputs

 **2,541,822**  
OUTPATIENTS

 **299,780**  
INPATIENTS

 Average  
**BED OCCUPANCY OF 65%**  
in 2018

 Total of  
**3,107**  
OPERATING BEDS

 **1,342,908 KG**  
HAZARDOUS WASTE  
GENERATED  
in 2018

Outcomes

FOR KPJ

- Net profit of **RM186.2 million** in 2018
- Added **55** hospital beds in 2018 via hospital network development and expansion
- Maintained rate of 0.5 kg of hazardous waste generated per patient, contributing to a safe environment

FOR STAKEHOLDERS

- Dividend per share of **2.0 sen**, with a total of **RM84.7 million** in dividend payments
- Customer Satisfaction Index of **87%**
- **RM13.2 million** community investment
- Average **training hours of 43** per employee
- **RM76.5 million** in Government/ Approved Agencies contributions

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UN SDGs)

In 2018, we began our journey to adopt the UN SDGs into our business model. We have begun by aligning the UN SDGs to our sustainability initiatives and impacts. Based on our current range of EES initiatives, KPJ is contributing to the following UN SDGs.



(Malaysian Hospitals)

Group Philosophy

5 Core Values

Vision

Mission



## FINANCIAL CAPITAL

Our Financial Capital is the pool of funds available to KPJ, as sustained by other capitals. The components of our Financial Capital are the revenue generated from our operations, market capitalisation, Government grants, the income we derive from fund raising activities such as Sukuk, as well as loans obtained.

### TRADE-OFFS

We use our Financial Capital to expand our hospital networks, and invest in medical equipment and new technologies, which increase our Manufactured and Intellectual Capitals. While this results in the reduction of our Financial Capital in the short-term, in the longer term it adds to the strength of our business and therefore our Financial Capital.

### LINK TO OUR SEVEN STRATEGIC THRUSTS

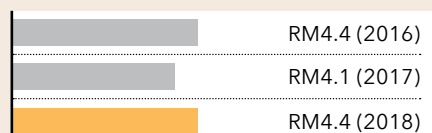


### LINK TO MATERIAL MATTERS

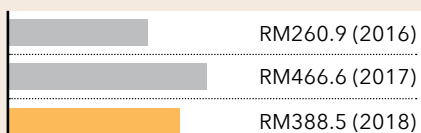
- Cost of Healthcare Services
- Government Regulations
- Funders for Healthcare Services

### Key Inputs

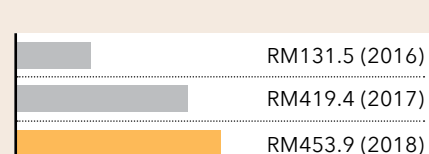
#### MARKET CAPITALISATION (BIL)



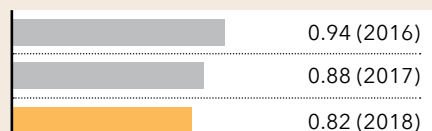
#### CAPITAL EXPENDITURE (MIL)



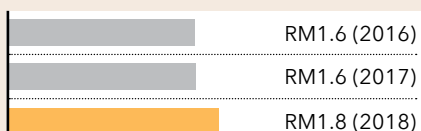
#### CASH USED IN INVESTING ACTIVITIES (MIL)



#### DEBT/EQUITY RATIO



#### TOTAL BORROWINGS (CURRENT AND NON-CURRENT) (BIL)

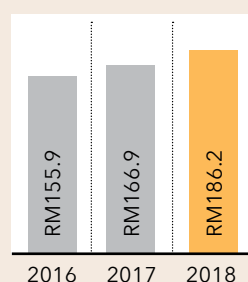


### Activities and Processes

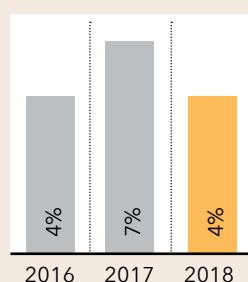
- Funding the development of new hospitals to expand our hospital network
- Funding the expansion of existing hospitals to cater to increased market demand
- Funding for new equipment
- Funding for research and development (R&D) and innovation activities
- Cost optimisation programme to reduce maintenance costs
- Appropriate management of debt and equity
- Effectively and efficiently managed the liquidity of the Group to ensure a strong balance sheet

### Outcomes

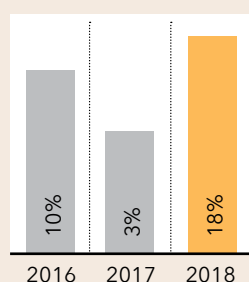
#### NET PROFIT (MIL)



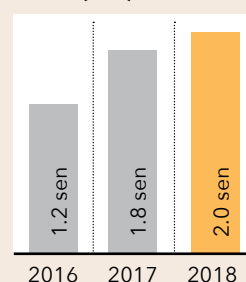
#### REVENUE GROWTH (%)



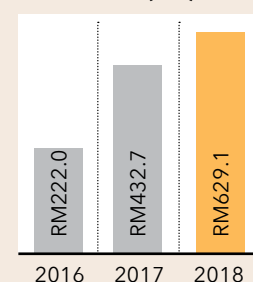
#### EBITDA GROWTH (%)



#### DIVIDEND PAYOUT PER SHARE (SEN)



#### CASH GENERATED FROM OPERATIONS (MIL)



For more information on our financial performance, please refer to our Chief Financial Officer's Review on pages 66 to 68 of this Integrated Report.

HOW WE CREATE VALUE



**MANUFACTURED CAPITAL**

KPJ's Manufactured Capital includes all infrastructure created and utilised within our integrated healthcare business model. These include our network of hospitals and aged care facilities within the regional footprint of our operations, as well as the medical and healthcare equipment, pharmacies, and hospital facilities we employ in the provision of healthcare services.

**TRADE-OFFS**

Investment in Manufactured Capital reduces our Financial Capital in the short-term. However, it adds to our ability to generate long-term growth, thus expanding our Financial Capital in the longer term.

**LINK TO OUR SEVEN STRATEGIC THRUSTS**



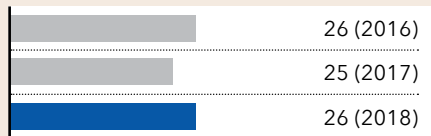
**LINK TO MATERIAL MATTERS**

Government Regulations

**Key Inputs**

**REGIONAL HEALTHCARE FACILITIES COMPRISING HOSPITALS, SENIOR & ASSISTED LIVING CARE CENTRES AND UNIVERSITY COLLEGE**

**MALAYSIA**  
- HOSPITALS



**INDONESIA**  
- HOSPITALS



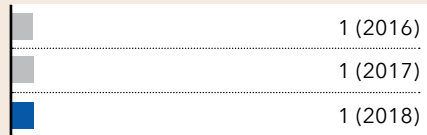
**THAILAND**  
- HOSPITALS



- SENIOR & ASSISTED LIVING CARE CENTRES



**BANGLADESH**  
- HOSPITALS



**AUSTRALIA**  
- SENIOR & ASSISTED LIVING CARE CENTRE



- UNIVERSITY COLLEGE



- 91 Operation theatres
- 109 Intensive Care Units
- 11 Catheterization Laboratories
- 351 Dialysis Chairs



**MANUFACTURED CAPITAL (CONT'D)**

**Activities and Processes**

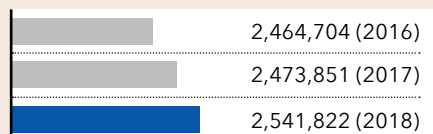
- Transformation from Private Owned Cloud to Managed Private Owned Cloud. This involves a range of built IT infrastructure on Enterprise model instead of On Premise model to achieve Shared Service
- Enabling the hardware of the Core System to integrate with Industry 4.0 initiatives such as Autonomous Robotics, Big Data and Cloud Computing
- Maintaining operational efficiency
- Focused investments in building new hospitals and expanding capacities of existing hospitals in 2018
- Expanded our retail pharmacy business through both physical outlets and an online e-commerce website for Healthshoppe based in KPJ Hospitals
- Expanded retail pharmacy presence through the new JX Pharmacy brand
- Increased capacity of hospitals in Malaysia by 2 hospitals namely:
  - KPJ Perlis: 21 beds, 6 services, 9 specialist consultants
  - KPJ BDO: 30 beds, 9 services, 32 specialist consultants
- Increase in the number of bed existing hospitals in 2018, with:
  - KPJ Johor: 41 beds
  - KPJ Klang: 12 beds
  - KPJ Ampang Puteri: 8 beds
  - KPJ Bandar Maharani: 7 beds
  - KPJ Pasir Gudang: 15 beds
- Expanded hospital services by the following means:
  - Launched comprehensive private radiotherapy and oncology centre in KPJ Sabah
- Expanded our regional presence via the launch of:
  - Second KPJ Info Centre in Palembang, Indonesia
  - First KPJ Info Centre in Dhaka, Bangladesh

**Outcomes**

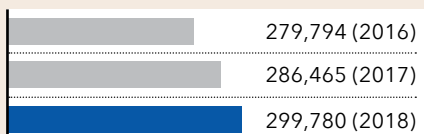
- Increased operational efficiency and synergies within our network of hospitals

**MALAYSIA**

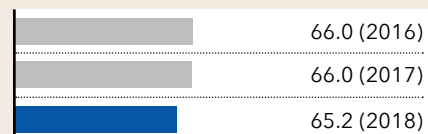
- OUTPATIENTS



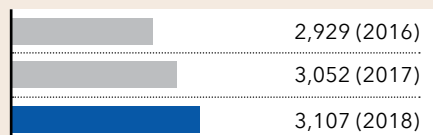
- INPATIENTS



- AVERAGE BED OCCUPANCY RATE (%)

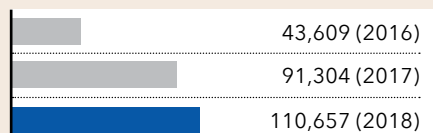


- OPERATING BEDS

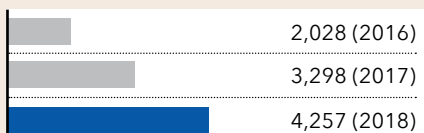


**BANGLADESH**

- OUTPATIENTS



- INPATIENTS



HOW WE CREATE VALUE

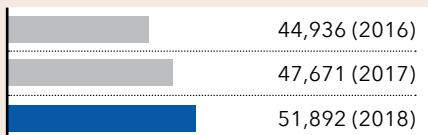


**MANUFACTURED CAPITAL (CONT'D)**

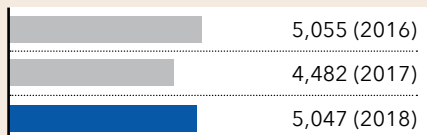
**Outcomes**

**INDONESIA**

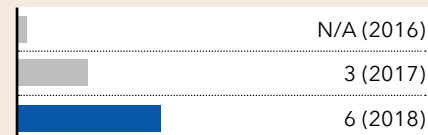
- OUTPATIENTS (RSMPPH)



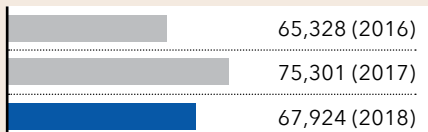
- INPATIENTS (RSMPPH)



**TOTAL NUMBER OF KPJ HEALTHSHOPPE  
AND JX PHARMACY OUTLETS**



- OUTPATIENTS (RSMBSO)

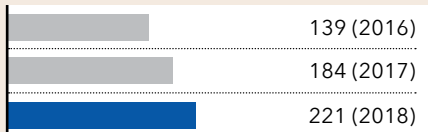


- INPATIENTS (RSMBSO)

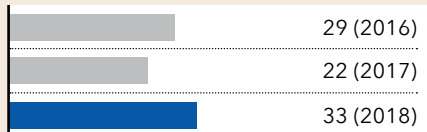


**RESIDENTS AT SENIOR & ASSISTED LIVING  
CARE CENTRES**

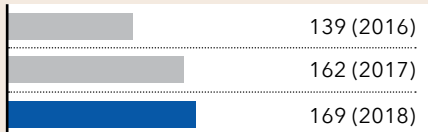
- SIBU GERIATRIC HEALTH AND NURSING CENTRE



- KPJ TAWAKKAL HEALTH CENTRE



- JETA GARDENS, AUSTRALIA



**NO. OF RESIDENTS**

- KUANTAN WELLNESS CENTRE



**NO. OF RESIDENTS**

- DAMAI WELLNESS CENTRE





**NATURAL CAPITAL**

Our Natural Capital refers to the renewable and non-renewable natural resources we use in delivering our healthcare services.

**TRADE-OFFS**

Expansion of our Manufactured Capital impacts negatively on Natural Capital. However, by ensuring that we responsibly manage our environmental footprint, we are able to mitigate our business’ impact on our Natural Capital, and add to the value of our Social and Relationship Capital.

**LINK TO OUR SEVEN STRATEGIC THRUSTS**



**LINK TO MATERIAL MATTERS**

Cost of Healthcare Services

**Key Inputs**

**HAZARDOUS WASTE GENERATED (KG)**

1,170,870 (2016)	1,170,870 (2016)
1,190,888 (2017)	1,190,888 (2017)
1,342,908 (2018)	1,342,908 (2018)

**WATER CONSUMPTION (m³)**

1,021,647 (2016)	1,021,647 (2016)
1,096,918 (2017)	1,096,918 (2017)
1,137,477 (2018)	1,137,477 (2018)

**ELECTRICITY CONSUMPTION (kWh)**

104,610,410 (2016)	104,610,410 (2016)
119,661,200 (2017)	119,661,200 (2017)
115,973,405 (2018)	115,973,405 (2018)

**Activities and Processes**

- The nature of KPJ’s healthcare services is energy and water intensive. As our business has increased and expanded its operations, this has led to an increase in water and energy consumptions, as well as waste generated. To mitigate this, we have measures in place and collect data to monitor our progress
- Conducting water saving initiatives such as:
  - Monitoring and tracking water leakages
  - Rainwater harvesting
- Conducting Waste Management Practices which focus on:
  - Training hospital staff on proper clinical waste disposal
  - Appointing a clinical waste disposal contractor whose operations are in compliance with MOH and DOE regulations
  - Recycling non-clinical waste such as paper and other recyclables
  - Conducting waste disposal activities according to environmental regulations such as Environmental Quality Act 1974 and subsequent legislations
  - Removing daily waste using designated vehicles at special collection areas which are kept clean and locked
- Promote paperless office
- Utilising sophisticated heating, ventilation and air-conditioning (HVAC) systems to optimise energy consumption
- Upgrading chiller systems to conserve energy
- Replacement of light bulbs with LEDs
- Installation of electricity timers within certain hospital areas such as the administration offices

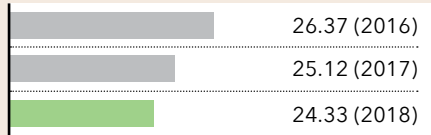
HOW WE CREATE VALUE



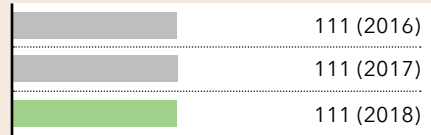
**NATURAL CAPITAL (CONT'D)**

**Outcomes**

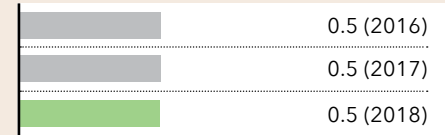
**AVERAGE ELECTRICITY PER SQUARE FOOT CONSUMED (kWh)**



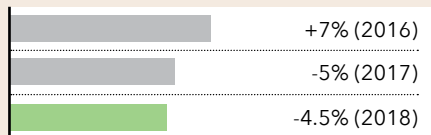
**AMOUNT OF WATER CONSUMED PER EMPLOYEE (M<sup>3</sup>)**



**TOTAL HAZARDOUS WASTE GENERATED PER PATIENT (KG)**



**REDUCTION IN GHG EMISSIONS PER SQ FT (CO<sub>2</sub>)**



For more information on our environmental initiatives, please refer to the Environmental section in our Sustainability Report.



**HUMAN CAPITAL**

Our Human Capital refers to the skills and experience of our employees that enable KPJ to implement its strategies and deliver healthcare services that create value for all our stakeholders. Human Capital of consultants is safeguarded through the closed system model where the Group’s doctors practice only in KPJ Hospitals.

**TRADE-OFFS**

Our investment in Human Capital reduces our Financial Capital in the short-term. However in the long-term, it adds to our Human, Financial, and Social and Relationship Capital.

**LINK TO OUR SEVEN STRATEGIC THRUSTS**



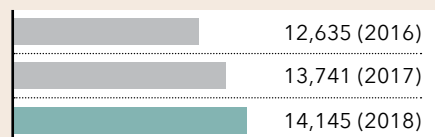
**LINK TO MATERIAL MATTERS**

- Managing and Retaining Talent

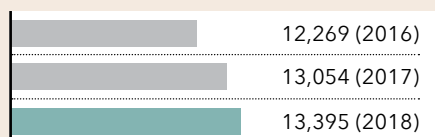
**Key Inputs**

**A DIVERSE WORKFORCE**

Total staff in Group



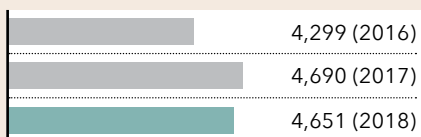
Total staff in hospitals (Malaysia)



Total staff in hospitals (Indonesia)



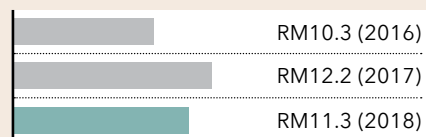
No. of trained nurses



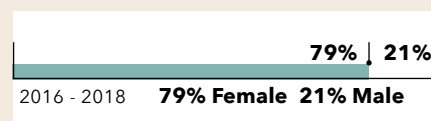
Total staff in hospitals (Bangladesh)



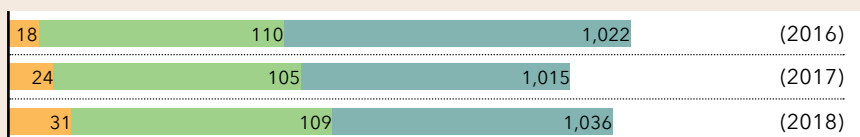
**INVESTMENT IN TRAINING AND DEVELOPMENT (MIL)**



**MALE:FEMALE GENDER DIVERSITY RATIO**



**CONSULTANTS**



For more information on diversification can be found within our Materiality People 6 - Diversity in our SR from pages 67 to 68.

**Activities and Processes**

- Competitive and fair remuneration packages
- Non-discriminatory in selection of employees
- Investing in our employees’ career development, including skillset training and leadership development initiatives
- Establishment and review of succession planning to identify and guide internal talent to become leaders in the organisation
- Education sponsorship opportunities for nurses in the Post-Basic Nursing Programme at KPJ Healthcare University College (KPJUC) as well as externally to discuss latest treatments and industry trends
- Develop and organise annual healthcare conferences/workshops of national and industry standards. In 2018, there were 250 medical consultants and 350 healthcare

- professionals (including 100 nurses) participated in KPJ Healthcare Conference
- Occupational health and safety management systems
- Employee engagement initiatives such as:
  - Activities conducted by the Sports and Recreational Clubs
  - Annual events such as Family Day and Sports Carnivals
  - Employee engagement programmes within our CRS initiatives
- Work-life balance initiatives such as
  - Flexible working hours
  - Onsite crèches for our staff members’ children childcare with breastfeeding rooms which are opened 24/7 to accommodate nurses working on shifts

- Promoting healthy living lifestyles amongst our employees through voluntary wellness and health initiatives such as the Body Mass Index (BMI) programme
- Time off during working hours to attend to urgent personal matters
- Special parking bays for pregnant employees
- Employee Share Option Scheme (ESOS) for employees
- Comprehensive benefits and welfare for all employees
- Workforce transformation policies
- Diversity and Inclusion Policy



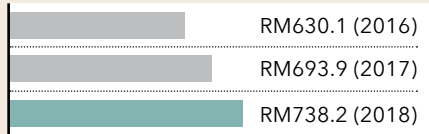
HOW WE CREATE VALUE



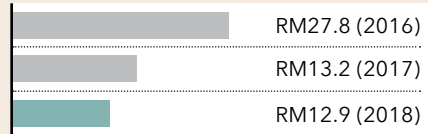
**HUMAN CAPITAL (CONT'D)**

**Outcomes**

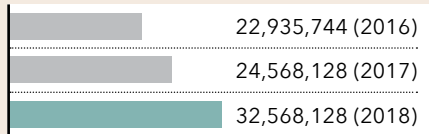
**EMPLOYEE BENEFIT COSTS (MIL)**



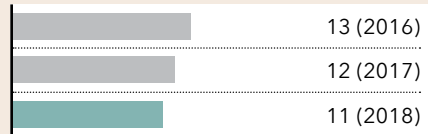
**ESOS EXPENSES (MIL)**



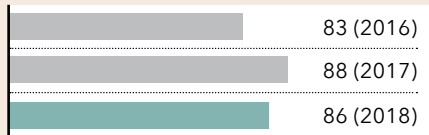
**TOTAL MAN HOURS WORKED (HOURS)**



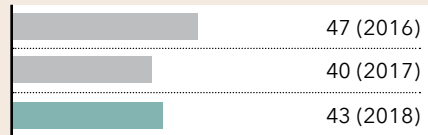
**STAFF ATTRITION RATE (%)**



**STAFF RETENTION RATE (%)**



**AVERAGE TRAINING HOURS PER EMPLOYEE (HOURS)**



For more information on our employees and talent development initiatives, please refer to the Materiality People-2 to Materiality People-7 in the Social section of our Sustainability Report.



## INTELLECTUAL CAPITAL

Our Intellectual Capital comprises of intangibles such as our health service offerings, as well as health quality standards, accreditations and certifications that define the Group’s competitive advantage. It also includes information technology (IT) and medical technology (MedTech) innovations that we adopt to enhance our efficiencies and clinical outcomes.

### TRADE-OFFS

In the short-term, our investment in Intellectual Capital reduces Financial Capital. However it grows our Human, Financial, and Social and Relationship Capitals in the longer term.

### LINK TO OUR SEVEN STRATEGIC THRUSTS

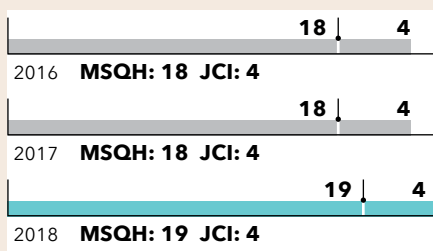


### LINK TO MATERIAL MATTERS

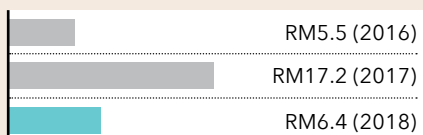
- Quality of Service Standards
- Government Regulations

### Key Inputs

#### HOSPITAL CERTIFICATION, ACCREDITATION AND STANDARDS



#### IT INVESTMENT (MIL)



More details on our Certification, Accreditation and Standards can be found within our Materiality Economic 5 - Certification, Accreditation and Standards from pages 49 to 52.

### Activities and Processes

- Conducted remote patient monitoring and surveillance by embarking on the Rainmaking project under MDEC’s Value Innovation Platform (VIP) programme. This was implemented via DoctorOnCall.com.my at KPJ Tawakkal Health Centre, focusing on rehabilitation, dental and speech therapy
- Continued with digitisation initiatives via KCIS2 and HITS2 migration, to second generation Cloud Computing at 7 hospitals
- Doctors and nurses using KCIS2 and HITS2 which incorporate more details, enabling effective patient follow up, monitoring and tracking
- Improvements in technology and processes that deliver more integrated information within the Group, with an emphasis on information security
- Implemented a new Data Centre to prepare Group’s consolidated Cloud Computing within our hospital network
- Cyber security and IT Risk Assessment actions were undertaken to prepare for ISO 27001
- Most hospitals continued monitoring and renewing their certifications, including:
  - Joint Commission International (JCI),
  - Malaysian Society for Quality in Health (MSQH), Integrated Management System (IMS) - ISO 9001, ISO 14001 and Occupational Health and Safety (OHSAS) 18001, Baby Friendly Hospital Initiatives (BFHI) and Quality Environment/5S.
  - As at January 2019, KPJ accounts for 33% of the MSQH accredited and 31% of JCI accredited of private hospital in Malaysia
- In-house nursing and healthcare dashboard
- Comprehensive Clinical Governance policies, structure and management in place
- KPJUC conducts training for medical specialists i.e. Masters programmes in the School of Medicine
- Academic Healthcare Centre (AHC) initiative as a collaborative platform for KPJUC academics and KPJ hospital clinical professionals to provide hands on skills training for KPJUC students
- The biennial KPJ Quality Convention has been the platform for employees to showcase innovative projects that can effectively improve operations. In 2018, more than 30 projects competed in the Convention and 6 digital projects were identified for possible implementation throughout the Group

HOW WE CREATE VALUE



INTELLECTUAL CAPITAL (CONT'D)

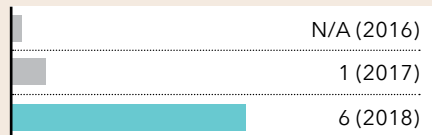
Outcomes

SPECIALISTS TRAINED AT KPJUC IN 2016-2018

	2016	2017	2018
MASTER OF OTORHINOLARYNGOLOGY (HEAD AND NECK SURGERY)	2	2	-
MASTER OF SCIENCE IN PHARMACEUTICAL TECHNOLOGY	3	N/A	2
MASTER OF PHYSIOTHERAPY	N/A	N/A	4

TOTAL NO. OF HOSPITALS MIGRATION OF KCIS2 AND HITS2

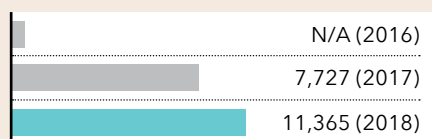
- KCIS2



- HITS2



TOTAL NUMBER OF KPJ ONLINE APPOINTMENTS\*



\* 16 hospitals are integrated with KPJ online booking system

New certifications obtained in 2018

- KPJ Healthcare was certified with the ISO 9001:2015 by TUV Rheinland
- KPJ Dental became the first dental facility in Malaysia to receive MSQH accreditation
- Lablink Medical Laboratory was certified by the Department of Standards Malaysia with the ISO 15189:2012
- KPJ Ampang and KPJ Damansara recorded milestones as the first two hospitals in the Asia Pacific region to be awarded the Gold Level Excellence in Person-Centred Care, from Planetree International, USA
- KPJ Sabah was identified as an Accredited Quit Smoking Service location by the Ministry of Health, Malaysia
- KPJ Seremban was recognised on the Energy Management Gold Standard under ASEAN Energy Management Scheme (EMGS AEMAS)
- 14 of our hospitals have been certified with Baby Friendly Hospital Initiatives (BFHI)

Awards in 2018

- The President and Managing Director of KPJ Healthcare Berhad, Dato' Amiruddin Abdul Satar was named the Digital Transformation Leader of The Year - Malaysia for 2018 by IDC Digital Transformation
- KPJ's commitment to human resource initiatives for our employees was evident when KPJ was selected as the Best Company to Work For 2018



For more information on our digital healthcare innovations, technology and cyber security enhancements, KPJUC, as well as accreditations and certifications, please refer to Materiality Economic 3,4 and 6 within the Economic section of our Sustainability Report.



## SOCIAL AND RELATIONSHIP CAPITAL

Our Social and Relationship Capital refers to the long-term relationships we have cultivated with our stakeholders who include patients, suppliers, business partners, the Government and other key stakeholders. This plays a large role in the Group’s reputation management.

### TRADE-OFFS

In the short-term, investment in Social and Relationship Capital reduces our Financial Capital. However through our wide spectrum of initiatives which create value for our stakeholders, we are able to grow our Social and Relationship, Human, Intellectual and Financial Capitals in the longer term.

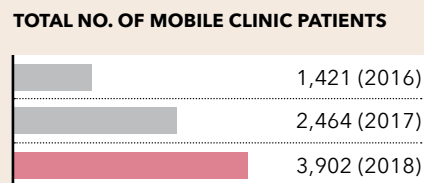
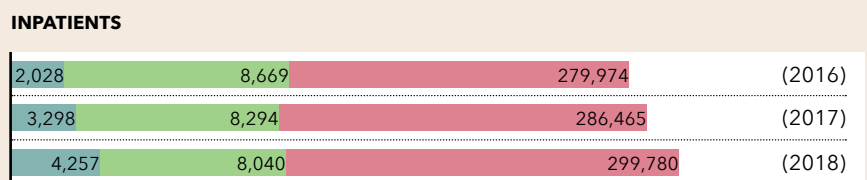
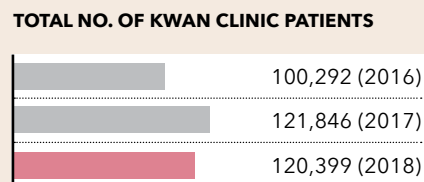
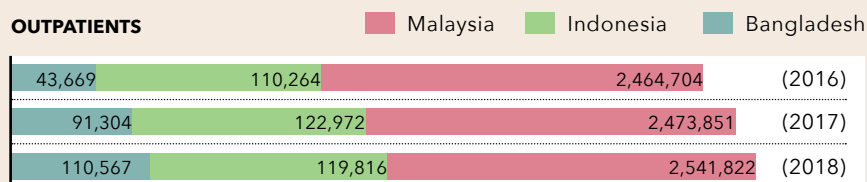
### LINK TO OUR SEVEN STRATEGIC THRUSTS



### LINK TO MATERIAL MATTERS

- Cost of Healthcare Services
- Quality of Service Standards
- Government Regulations
- Funders for Healthcare Services

### Key Inputs



### Activities and Processes

#### For our Patients and Customers

- To ensure top of the mind recall among patients, we focus on effective management of the KPJ brand and reputation
- KPJ has in place a structured Customer Relationship Management system to register, monitor and attend to patients’ concerns
- KPJ’s Customer Service Tools are:
  - KPJ Service Quality Coach
  - Customer service workshops
  - SQM Mentoring Programme
  - Standard People Practice (SPP)
  - Planetree project focusing on person centered care
  - Planned Preventative Maintenance (PPM)

- Integrated SQM Portal comprising the following elements:
  - Patient Communication Management System (PCMS)
  - SQM External Survey
  - Service initiative system
- Ongoing commitment to reduce admission and discharge waiting times
- There were more than 55,000 KPJ customers signing up for the KPJ Care Card in 2018

#### For our Intermediaries

- Conducting regular engagements with our intermediaries
- Sustaining a Corporate Client Management function for our intermediaries

- Implemented the Hospital Agreement Services (HAS) portal for the Electronic Pre-Authorization Form (E-PAF) by Prudential Assurance Malaysia Berhad (PAMB)
- Implemented online outpatient specialist guarantee letter and e-billing by Medkad Sdn Bhd and Healthmetrics at all KPJ hospitals

#### For Our Suppliers

- Regular meetings with medical and non-medical suppliers
- There are 7,858 suppliers are required to adhere Corporate Integrity Agreement (CIA) and the KPJ Safety & Health

HOW WE CREATE VALUE



SOCIAL AND RELATIONSHIP CAPITAL (CONT'D)

Activities and Processes

**For Accreditation and Industry Bodies**

- Representation on accreditation and industry bodies such as the Association of Private Hospitals Malaysia (APHM) and MSQH.
- All our consultants are duly registered on the National Specialist Register

**For the Community**

- Community outreach programmes such as:
  - Klinik Waqaf An-Nur (KWAN)
  - Mobile Clinics
- Baby Hatches that provide safety for babies left behind by their parents
- Public health education programmes

- Community grievance platforms and channels

**For the Government**

- Active engagement with the Government on healthcare issues and legislation
- Representation on Government bodies such as the Malaysian Nursing Board

**For our Vendors and Suppliers**

- Efficient and streamlined procurement processes and policies
- Regular meetings with suppliers

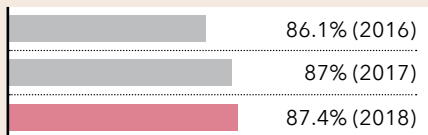
- Fair contract negotiations with suppliers and vendors
- Assessment process with regards to suppliers and vendors
- All suppliers, vendors and other related third party are expected to sign the Corporate Integrity Agreement

**For our Investors and Shareholders**

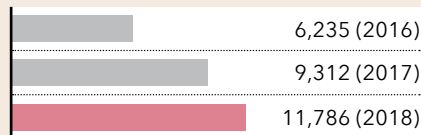
- Investor relations presentations
- Corporate website
- Analyst meetings
- General Meetings - AGM and EGM
- Participating in investor roadshows and conferences

Outcomes

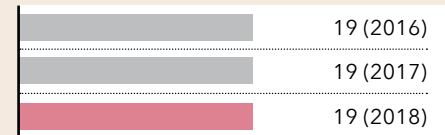
CUSTOMER SATISFACTION INDEX



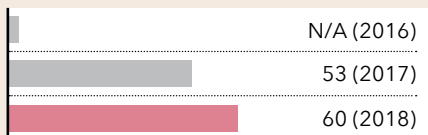
TOTAL NO. OF STAFF TRAINED IN CUSTOMER SERVICE



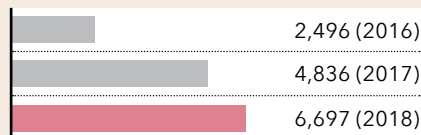
KWAN CLINICS



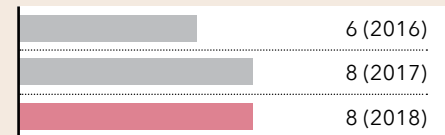
SERVICE QUALITY COACHES



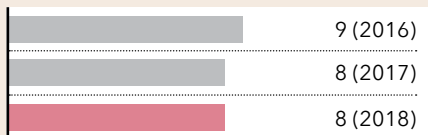
NO. OF PLANNED PREVENTIVE MAINTENANCE ACTIVITIES CONDUCTED



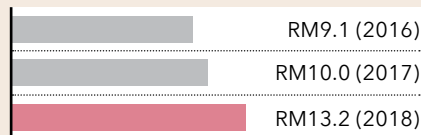
- CLINICS OPERATING AS DIALYSIS CENTRES



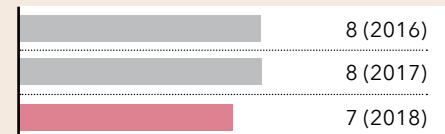
NO. OF HOSPITALS WITH BABY HATCHES\*



TOTAL INVESTMENT IN COMMUNITY OUTREACH PROGRAMMES (MIL)

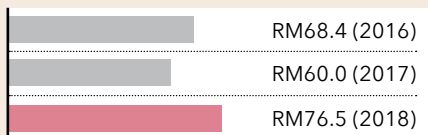


- CLINICS WITH MSQH CERTIFICATION

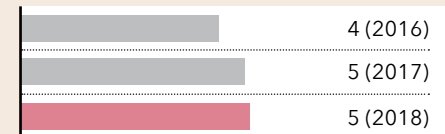


\* KPJ Kuantan closed their Baby Hatch on 23 May 2016

TAX DISTRIBUTION TO GOVERNMENT/ APPROVED AGENCIES (MIL)



MOBILE CLINICS



**SR** For more information on our customer service and intermediary initiatives, please refer to Materiality Economic 1 and 2 within the Economic section of our Sustainability Report. Further information on our community initiatives can be found within the Materiality People 1 in the Social section of our Sustainability Report. Full disclosures on our investor and shareholder activities can be found within our standalone Corporate Governance Overview section of our Integrated Report.

# GROUP STRATEGY

KPJ'S GROUP STRATEGY IS BUILT UPON THE GOAL OF SUSTAINABLE LONG-TERM GROWTH OF OUR BUSINESS BY PROVIDING THE BEST QUALITY HEALTHCARE FOR OUR PATIENTS. WE STRIVE TO PROVIDE OUR SHAREHOLDERS WITH MAXIMISED RETURNS ON THEIR INVESTMENTS, AND OUR STAKEHOLDERS WITH LONG-TERM VALUE CREATION. OUR SEVEN STRATEGIC THRUSTS ARE GUIDED BY OUR GROUP TAGLINE, CORE VALUES, VISION AND MISSION, AND ARE EFFECTED THROUGH FOCUSED INITIATIVES TO GROW OUR SIX CAPITALS WITHIN OUR BUSINESS MODEL.



OUR GROUP TAGLINE:

## **CARE FOR LIFE**

As a regional provider of premium healthcare services, KPJ is committed to world class excellence in every aspect of healthcare provision. We leverage on our medical expertise and advanced facilities to provide a spectrum of healthcare services to provide for the healthcare needs and demands of our markets of operation.

OUR FIVE

## **CORE VALUES**

All the decisions we make with regards to the strategic operations and management of our regional healthcare network are guided by our core values which reflects our commitment to Care For Life. Through the following five core values, we strive to maintain patient-centred healthcare services which focuses on compassionate care.



OUR VISION :

## **THE PREFERRED HEALTHCARE PROVIDER**

KPJ's vision to be the preferred healthcare provider is borne through our delivery of exceptional health treatment, care and diagnosis to all our patients. Our focused commitment to our vision can be found within the various actions and initiatives we undertake with regards to the innovative use of technology, and having on board experienced doctors, and well-trained medical and non-medical staff who collaborate to offer the best diagnosis and treatment plans in the marketplace.

OUR MISSION :

## **DELIVER QUALITY HEALTHCARE SERVICES**

We have made it our mission is to improve the health of the people and the communities we serve. Our proactive actions to actuate our mission are led by skilled and caring medical staff, who remain focused on clinical excellence and innovative technology to obtain superior patient outcomes.

## GROUP STRATEGY



## OUR SEVEN STRATEGIC THRUSTS

We are committed to providing comprehensive, patient-centred care, to maintain our leadership position in Malaysia's private healthcare industry. KPJ's Seven Strategic Thrusts drive us on our journey:

**CAPACITY BUILDING**

Strategic investments and enhancements in project development.

**ENRICHED CUSTOMER RELATIONSHIPS**

Employ strategic measures aimed at strengthening the KPJ brand built on a patient-centric culture.

**INNOVATION @ THE CORE**

Embedding a Culture of Innovation throughout the Group, ensuring KPJ keeps abreast with industry trends.

**NEW NICHEs**

Explore new and potential opportunities, to grow the business in the medium to long term.

**TALENT MANAGEMENT**

Focus on nurturing dependable and high integrity talents who are capable of driving positive performance, contributing to KPJ's sustainable growth.

**BUSINESS PROCESS IMPROVEMENT**

Continuously improving our processes and systems to empower our performance.




**SUSTAINABLE VALUE FOR STAKEHOLDERS**

Ensuring long-term growth, in order to provide stakeholders with high returns, contributing to sustainable positive relationship.

# STRATEGIC RESPONSE





TO DRIVE THE SEVEN STRATEGIC THRUSTS, WE SET OURSELVES THE FOLLOWING TARGETS WITHIN IDENTIFIED FOCUS AREAS FOR THE YEAR 2018. FULL AND COMPLETE DETAILS OF OUR ACTIVITIES AND OUTCOMES FOR THE YEAR 2018 CAN BE FOUND WITHIN THE HOW WE CREATE VALUE SECTION ON PAGES 14 TO 27 AND OUR OPERATIONAL REVIEW SECTION ON PAGES 71 TO 92.



OUR STRATEGIC THRUSTS	OUR STRATEGIC FOCUS IN 2018	TARGETS FOR 2018	ACHIEVEMENTS IN 2018
<b>Capacity Building</b> 	<b>Adopting Focused Strategies to Generate Continuous Growth</b> We continued expanding our hospital network by opening new hospitals in greenfield and brownfield locations throughout Malaysia.	To open 2 new hospitals	<ul style="list-style-type: none"> <li>Opened KPJ Perlis in second quarter of 2018</li> <li>MOH issued hospital licence to KPJ BDO on 26 December 2018 and it opened for business on 19 February 2019</li> </ul>
<b>Enriched Customer Relationship</b> 	<b>Aggressive and Intelligent Marketing on Online and Social Media</b> We embarked on a sustained marketing campaign which was both aggressive and intelligent in identifying suitable online and social media platforms, to reach out to our target markets.  <b>Superior Customer Service</b> Within our Clinical Operations, we focused on providing patient centric benefits via: <ul style="list-style-type: none"> <li>• Patient initiatives</li> <li>• Nursing initiatives</li> <li>• Doctors initiatives</li> </ul> We maintained our focus on the continuous development of a strong service culture focusing on: <ul style="list-style-type: none"> <li>• Talent</li> <li>• Service deliveries</li> <li>• Culture</li> </ul>	To obtain Customer Satisfaction Index of 85%	Achieved Customer Satisfaction Index of 87%
<b>Innovation @ The Core</b> 	<b>Operationalise IBM Watson for Oncology throughout our Network of Hospitals</b> Having been the first private healthcare provider in Malaysia to adopt the medical technology platform IBM Watson for Oncology, we focused on rolling it out within our network of hospitals.	Operationalised within all five oncology centres in the Group	<ul style="list-style-type: none"> <li>Operationalised at five oncology centres and licenses obtained for 6 KPJ oncologists</li> <li>Provided treatments for approximately 150 patients with cancer</li> </ul>



## STRATEGIC RESPONSE

OUR STRATEGIC THRUSTS	OUR STRATEGIC FOCUS IN 2018	TARGETS FOR 2018	ACHIEVEMENTS IN 2018
<b>New Niches</b> 	<b>Adopting Focused Strategies to Generate Continuous Growth</b> We focused on developing outpatient services through our Ambulatory Care Center (ACC)  KPJ continued to invest in the elderly care segment by opening up more aged and Senior & Assisted Living Care (SALC)  We focused on the niche business for the young demography through our mother and child-related healthcare  We expanded our pharmaceutical footprint by tapping into the local community  Within the health tourism segment, we focused on expanding our market reach to the two global superpowers of China and India, both of which have high value medical tourists	To open at least one ACC  To open at least one SALC  To open at least one confinement centre  To increase Health Tourism Visits and Revenue growth by 15%	<ul style="list-style-type: none"> <li>ACC Taiping opening deferred to 2019</li> <li>Opened a SALC at KPJ Kuantan Wellness and Damai Wellness Centre in Kota Kinabalu</li> <li>Launched one Confinement Care Centre at Damai Wellness in Kota Kinabalu</li> <li>Opened JX Pharmacy</li> </ul> Visits and revenue dropped by 4% and 2% respectively. This is attributed to the drop in overall tourists arrival in 2018 compared to the previous year
<b>Talent Management</b> 	<b>Continue to create employment opportunities for future generations</b> With our academic arm KPJ Healthcare University College as a talent pipeline, we focused on strengthening our education delivery model to achieve full university status by 2020	Commencement of Academic Health Centre (AHC) and to be the first private hospital in Malaysia to adopt this AHC concept  New programmes introduced  To maintain secured employment since inception	<ul style="list-style-type: none"> <li>To commence with AHC in first quarter of 2019</li> <li>Introduced three new programmes for nursing and management for further improvements in managing quality</li> <li>Secured employment for 90% of KPJUC graduates</li> </ul>
<b>Business Process Improvement</b> 	<b>Successful Migration to KCIS2 (KPJ Clinical Information System) and HITS2 (Hospital Information System)</b> We focused on successfully completing the migration of our hospital systems to KCIS2 and HITS 2  <b>Responsible Stewardship of Natural Resources</b> We embarked on an awareness campaign across the Group to create greater consciousness on how we could minimise our business' impact on the environment and reduce our carbon footprint	HITS2 - 25 hospitals KCIS2 - 25 hospitals  <b>Environmental Targets Set</b>  Energy used: < 27.69 kWh per square foot  Water utilised : < 111 cubic meters per staff  Hazardous Waste: < 0.5 kg per patient	<ul style="list-style-type: none"> <li>7 hospitals on HITS2</li> <li>6 hospitals on KCIS2</li> </ul> <b>Environmental Targets Achieved</b>  Energy used: 24.33kWh per square foot  Water utilised: 106 cubic meters per staff  Hazardous Waste : 0.5 kg per patient
<b>Sustainable Value for Stakeholders</b> 	<b>To Contribute to the Sustainable Socio-economic Wellbeing of our Stakeholders</b> Our aim was to behave and operate in a responsible and sustainable manner, as a valued member of the regional community.  With regards to our shareholders, our aim was to offer decent returns for their investment.	To open one Klinik Waqaf An-Nur (KWAN)  Target >RM5 million spend on CSR activities and programmes  To remain consistent in our dividend payout of between 45% and 50% of the annual net profit attributable to shareholders	<ul style="list-style-type: none"> <li>New KWAN Seberang Jaya building opened in November 2018</li> <li>RM13.2 million spent on CSR programmes in 2018</li> </ul> Dividend per share of 2.0 sen, with total of RM84.7 million in dividend payments, representing 45% of dividend payout ratio.

# OUR BUSINESS ENVIRONMENT

**KPJ OPERATES WITHIN A COMPLEX EXTERNAL ENVIRONMENT, WHICH IS SHAPED BY VARIOUS GEO-POLITICAL, MACROECONOMIC AND REGULATORY FACTORS, AS WELL AS INDUSTRY TRENDS.**

TO ENSURE WE REMAIN ON TRACK WITH OUR VALUE CREATION STRATEGIES, WE DILIGENTLY MONITOR AND ASSESS THE LIKELY IMPACTS THESE FACTORS WILL HAVE ON OUR GROUP. THROUGHOUT THE YEAR 2018, THE FOLLOWING FACTORS PLAYED THE MOST SIGNIFICANT ROLES IN OUR OPERATIONAL LANDSCAPE.



## KEY HIGHLIGHTS

**97%**  
OF OUR REVENUE

generated from our healthcare operations in Malaysia

**RANKED**  
**1<sup>ST</sup>**

as world's best healthcare in 2019

## ASIA PACIFIC ECONOMY (GDP)

Indonesia	5.1%
Bangladesh	7.3%
Australia	3.2%
Malaysia	4.8%

## ASIA PACIFIC ECONOMY

Our primary markets of operation within the Asia Pacific region are Indonesia, Bangladesh and Australia. The operations we have within these three countries account for 3% of our revenue. Asia, in particular, continues to be the main engine of growth for the global economy. According to the Regional Economic Outlook: Asia Pacific published in October 2018 by the International Monetary Fund, emerging markets such as Indonesia and Bangladesh recorded Gross Domestic Product (GDP) growth of 5.1% and 7.3% respectively, while Australia as an advanced economy, recorded slower GDP growth at 3.2%.

## MALAYSIAN ECONOMY

The Malaysian economy is one of our primary factors for consideration as our main market of operations, with 97% of our revenue generated from our healthcare operations here. In 2018, GDP in Malaysia grew moderately at a rate of 4.8%. The national economy recorded declining inflation, and a shrinking

current account surplus in the first half of the year. Sluggish domestic investment and exports offset stronger private consumption while unemployment remained stable, and broad based growth was seen in all sectors.

Sluggish economic growth led to many corporates downsizing and reducing their employees' medical benefits coverage which had an impact on private healthcare providers. This led to people opting to obtain healthcare provision from general practitioners (GP) or cheaper private healthcare providers in their bid to reduce their personal healthcare costs.

## OUR BUSINESS ENVIRONMENT



However, the second half of the year was more optimistic. As a new Government took the helm in Malaysia, it unveiled a record budget for 2019, which featured healthcare as one of the main areas of focus. It also kept its manifesto promise of switching back to the Sales and Services Tax (SST) system from the Goods and Services Tax (GST) system. This is noteworthy as in the past, the GST had partially led to a rise in medical costs as the 6% input tax on drugs under the non-National Essential Medicine List was absorbed by private healthcare providers. According to Willis Towers Watson, the country's healthcare inflation rose from 8% to 9% from 2016

to 2017 as a result. As consultation fees, medications and usage of medical equipment and ambulance services are not subject to tax under the SST regime, this had a net positive impact on private healthcare providers.

In 2019, Malaysia was named as the country with the "Best Healthcare in the World Category" of the 2019 International Living Annual Global Retirement Index.

#### THE ASIA PACIFIC HEALTHCARE SECTOR

The regional Asia Pacific healthcare landscape has become more complex

and increasingly defined by factors such as an aging population, greater urbanisation and changes in lifestyle trends. These are leading to the growing prevalence of chronic diseases and comorbidities, and is thus redefining the provision of healthcare services in relation to demand. Alongside this, there is a growing middle class population with a preference for private healthcare services over public healthcare, and who are armed with increased patient awareness, knowledge and expectations. There is also a steadily aging population demographic. Within the aged population, we are witnessing an increase in diseases such as dementia, and a greater need for care for the aged whose extended families are unable to offer care themselves as they struggle with work pressures in the modern age.

By and large, the growth prospects for the healthcare sector globally are positive over the long-term, driven by an ageing population, rising affluence and increasing life expectancy. According to The Edge Markets, by 2030, about 14% of the population would be aged 60 and above. By 2030, there will be more senior citizens, creating concerns with health with longer queues at public hospitals, and the government having to bear higher medical costs. All these factors provide private healthcare providers with opportunities to tap into the senior citizen demographics. An upside for Malaysia regards to aged care services is its attractiveness as a retirement destination for non-Malaysians. According to International Living's Annual Global Retirement Index for 2018, Malaysia was ranked fifth place as one of the top 24 retirement havens worldwide, based on 12 criteria such as the cost of living, healthcare, entertainment, climate and governance.

A worrying trend during the year however was the deficit recorded by the Indonesian National Health Insurance Scheme, Badan Penyelenggara Jaminan Sosial (Social Insurance Administration Organisation or BPJS). According to ASEAN Healthcare published by UBS in



### Malaysia Healthcare Sector

THE GOVERNMENT HAS COMMITTED TO RAISE PUBLIC EXPENDITURE ON HEALTHCARE FROM 4.4% PREVIOUSLY TO BETWEEN 6% AND 7% OF GDP, WHICH IS IN LINE WITH HEALTHCARE SPENDS OF DEVELOPED COUNTRIES WORLDWIDE.

December 2018, BPJS recorded a deficit of around RP11 trillion, mainly due to the value of claims exceeding the value of premiums paid. This has added pressure to healthcare providers in the country.

#### MALAYSIA HEALTHCARE SECTOR

In Malaysia, developments within the healthcare sector was largely defined by the 2019 Budget. The Government is committed to raise public expenditure on healthcare from 4.4% previously to between 6% and 7% of the GDP, which is in line with healthcare spends of developed countries worldwide. According to Affin Hwang and Bloomberg, the healthcare and pharmaceutical sector in the country had a total market capitalisation of RM46.6 million.

Healthcare expenditure will continue to be increased, driven by such variables as an ageing population, rising trend of

non-communicable and infectious diseases, new technologies and increasing patient demands. This has led to an increase in out-of-pocket expenditure within the private healthcare sector, and is expected to continue. Considering that life expectancy in Malaysia have increased considerably, there is a greater need for a boost in healthcare services.

The Ministry of Health's (MOH) 2018 budget which had provided an allocation to the Malaysia Healthcare Travel Council (MHTC) as an incentive to boost Malaysia's healthcare travel industry had a positive impact on medical tourism in the country. With the reduced value of the Ringgit, coupled with the high quality of private medical services in Malaysia, the country has proven to be an attractive destination for medical tourists. In 2018, Malaysia was recognised

as the Medical Tourism "Destination of the Year" for the third time by the International Medical Travel Journal, an indication of the nation's reputation in providing the best and competitively affordable world-class quality of healthcare services. During the year, over 920,000 medical tourists arrived in Malaysia for medical treatment.

In the second half of 2018, the release of the 2019 Budget made a significant impact on the healthcare industry. Under the Budget, the Government had introduced Skim Peduli Sihat or the B40 National Health Protection Fund, which provides a RM500 assistance to the B40 class of households earning RM3,900 a month or less to provide them access to healthcare services at registered private medical institutions, where the cost of treatment is deemed to be more affordable for this particular group of

## OUR BUSINESS ENVIRONMENT

income earners. Meant to come into effect on 1 January 2019, this would benefit private healthcare providers such as GPs and private hospitals.

Government allocations effecting healthcare reforms were also introduced during the year, which in the longer-term are set to benefit private healthcare providers such as KPJ. These include various targeted health treatment such as RM20 million for mammogram, HPV and pap-smear, RM50 million for rare diseases, and another RM50 million to treat patients with rare diseases, Hepatitis C and other diseases. This bodes well for KPJ's pharmaceutical division, which also provides locally produced generic drugs for public hospitals.

### REGULATORY ENVIRONMENT IN MALAYSIA

During the year, the MOH requirement to report death cases involving complicated arising from dengue impacted upon physician's acceptance of dengue cases within private healthcare providers. Zoning area regulations requiring healthcare providers to be one stop centres providing a range of treatments such as dialysis, PET scans and radiotherapy also impacted the sector. Higher tax enforcements on doctors are impacting upon quality of services, while the rise of medico-legal cases are affecting not just doctors, but also private hospitals which are vicariously liable.

### TECHNOLOGY AND MEDICAL INNOVATIONS

The digital healthcare market is set to boom, with an article in the New Straits Times published in March 2018 estimating it to exceed USD379 billion (RM1,478 billion) by the year 2024. The reasons behind this growth are two-fold - current healthcare infrastructure is already outdated, even as the world around us continues to innovate.

Many digital transformation trends are occurring globally which are increasing the quality of healthcare services while providing added benefits to patients. These include Telehealth, Cloud Computing, Telemedicine, Cashless Transaction and Wearables. It puts the onus on private healthcare providers who intend to remain competitive to leverage on the continuous development of IT infrastructure as the key to improving healthcare diagnostics and outcomes into the future.

Social media such as Facebook, Twitter and Instagram are becoming the norm of medical marketing, as it is both cost effective and easy to manage. It also caters to growing social trends where potential patients are searching online for effective treatment. As well as that, patients tend to share their hospital care experiences online, which depending on whether they have had a positive or negative experience, has its knock on effects on healthcare providers. To reduce patients' waiting times, healthcare providers are turning more to automated patient management systems which also minimise cost.

### COMPETITIVE LANDSCAPE

KPJ operates within an intensively competitive environment, in direct competition with both other large networks of private hospitals in the country, as well as smaller private clinics which provide cheaper alternatives for cost conscious patients. While KPJ currently leads the market with a 19% market share in the private healthcare sector, we realise the need to continue to innovate and enhance our services, while continuously growing our capacity.

## KEY HIGHLIGHTS

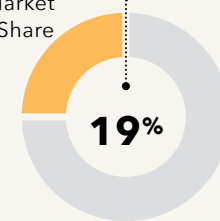
KPJ LEADS THE MARKET WITH A

**19%**

MARKET SHARE in the private healthcare sector

### MALAYSIA

Market Share



In 2018, Malaysia was recognised as the Medical Tourism **"DESTINATION OF THE YEAR"** for the

**THIRD TIME**

by the International Medical Travel Journal

# STAKEHOLDER MANAGEMENT

KPJ's involvement in the healthcare sector affects a diverse spectrum of stakeholders within a complex interrelated system. Our stakeholder ecosystem details out the way in which adapt, innovate and refine our healthcare service model's systems and clinical processes in our quest to provide patient-centric medical services. It also plays a critical role in how we comply with changing healthcare regulations and policies, as we navigate other considerations such as changing disease patterns and healthcare needs in an evolving healthcare landscape. Our stakeholder ecosystem in 2018 comprised the following interrelated groups who bear the most influence on KPJ's business.

## OUR STAKEHOLDER ECOSYSTEM



STAKEHOLDER MANAGEMENT



**PATIENTS**

**STAKEHOLDER RELEVANCE**

Patients are the cornerstone of KPJ's business and we place emphasis on enhancing the quality of life of our patients by providing comprehensive high-quality healthcare services.

KPJ strives to be the most trusted provider of healthcare services in Malaysia.

**METHODS OF ENGAGEMENT**

- Customer Satisfaction Survey
- Corporate and hospitals' websites
- Comprehensive integrated social media presence
- Health-related information magazines
- Health Awareness Days
- Service Brochures with hospital information

**FREQUENCY**

- Quarterly
- Ongoing
- Quarterly
- According to the World Health Organisation's (WHO) calendar

**KEY FEEDBACK/ EXPECTATIONS**

- Delivery of quality healthcare and services
- Best possible clinical outcomes
- World class facilities and technology
- Patient experience within KPJ's hospital environment

- Respecting the needs and satisfaction levels of patients
- Health awareness and information
- Patient and family engagement during the recovery process

**KPJ'S RESPONSE TO STAKEHOLDER EXPECTATIONS**

- Standardised Customer Satisfaction Index (CSI), to enable comparative measurement of patient satisfaction among KPJ's hospitals and benchmark them with previous years' achievements
- The quality and safety of patient care is material for KPJ. Among the list of safety statistics and data collected to measure outcomes are:
  - i. Clinical Indicators & Performance/Outcomes
  - ii. Infection Control
  - iii. Mortality & Morbidity

- KPJ contributes towards a sustainable healthcare system through improved patient access and maximising the use of latest technology in patient care to maintain patients' loyalty
- Encourage hospitals to initiate activities to increase patients' satisfaction such as voluntary programmes

**IMPACT AND LINK TO STRATEGIC THRUSTS**

**Impact on Strategy**




Concerns raised can impact KPJ's ability to offer quality healthcare services and best clinical outcomes. It also affects our ability to create sustainable long-term value for our stakeholders.

**Link to Strategic Thrusts**





**EMPLOYEES & CONSULTANTS**

<p><b>STAKEHOLDER RELEVANCE</b></p>	<p>13,395 employees (which include 4,197 nurses and 1,768 allied health professionals) and 1,036 consultants are valuable human capital and their trust and respect are vital to KPJ's success. We listen and respond to their needs and concerns through effective communication.</p> <p>KPJ invests in our employees' welfare and programmes as the preferred employer of choice.</p> <p>KPJ communicates and invests in a marketing strategy for new packages and services, including sub-speciality and procedures, new medication and technology offered by our consultants.</p>	
	<p><b>METHODS OF ENGAGEMENT</b></p> <ul style="list-style-type: none"> <li>• Town hall meetings such as our Corporate Address - PEDOMAN</li> <li>• Employee performance review</li> <li>• Staff wellness and recognition programmes</li> <li>• Talent Management Day</li> <li>• Employee Engagement Survey</li> <li>• Consultant - Management Meetings</li> </ul>	<p><b>FREQUENCY</b></p> <ul style="list-style-type: none"> <li>• Twice a year</li> <li>• Annually</li> <li>• Quarterly</li> </ul>
<p><b>KEY FEEDBACK/ EXPECTATIONS</b></p>	<ul style="list-style-type: none"> <li>• Training and development of employees</li> <li>• Recognition and competitive remuneration</li> <li>• Ethical leadership</li> <li>• Fair and equitable benefits</li> <li>• Recruitment and retention of skilled staff</li> </ul>	<ul style="list-style-type: none"> <li>• Provide positive workplace culture and a safe work environment</li> <li>• Address the shortage of key medical staff</li> <li>• Consultants' engagement with public</li> <li>• Address the long waiting time for patients due to ineffective process</li> <li>• Equitable partnership provisions of medical amenities</li> </ul>
<p><b>KPJ'S RESPONSE TO STAKEHOLDER EXPECTATIONS</b></p>	<ul style="list-style-type: none"> <li>• Fair and equitable employee benefits and welfare provision</li> <li>• Every employee is committed to ethical behaviour as set out in the Group's Code of Ethics and Business Conduct</li> <li>• Safety at the Workplace</li> <li>• The Group aims to minimise KPJ's environmental impact and guides employees in the identification and management of all risks and opportunities through our sustainability awareness program</li> <li>• Provide opportunity and involvement of the consultants in hospitals' activities to educate the public</li> </ul>	<ul style="list-style-type: none"> <li>• Provide well-trained staff, latest equipment and updated systems with KCIS2 and HITS2</li> <li>• Provide well-trained staff with Disaster &amp; Emergency Management Plan, Clinical Related (Code Blue, Code Pink)</li> <li>• Provide efficient medicine supply systems to ensure uninterrupted availability and accessibility of essential medicines</li> <li>• KPJ conducts ICC annually, as a platform for innovation to ease the patient's journey in their dealing with KPJ hospitals such as waiting time</li> </ul>
<p><b>IMPACT AND LINK TO STRATEGIC THRUSTS</b></p>	<p><b>Impact on Strategy</b> Our employees and consultants expectations are related to KPJ providing them a safe, motivating and rewarding work environment and workplace. It is important that, the Management continues promoting a positive working environment at all times.</p> <p><b>Link to Strategic Thrusts</b></p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>02</p> </div> <div style="text-align: center;">  <p>05</p> </div> <div style="text-align: center;">  <p>06</p> </div> </div>	



STAKEHOLDER MANAGEMENT



**INVESTORS & SHAREHOLDERS**

KPJ's primary objective is to create value for our shareholders as the owners and providers of equity capital to the business. The Group is accountable to its stakeholders, and reports to shareholders and the public by effectively providing communications on our operational and financial performance.



**GOVERNMENT & REGULATORS**

Our business model relies on full compliance to all affected regulations. The Group engages with various government bodies on a continuous basis.

Key government regulators include the Ministry of Health (MOH), Department of Occupational Safety and Health (DOSH), Department of Environment (DOE), BOMBA Resources (MOHR), along with Ministry of Higher Education (MOHE) for KPJ's education arm, KPJUC.

**METHODS OF ENGAGEMENT**

- Financial Results
- Investor Relations Presentations which are available on the website at <http://kpj.listedcompany.com/slides.html>
- Corporate website
- Analyst meetings
- General Meetings (Annual General Meeting/Extraordinary General Meeting)
- Participation in Investor Roadshows/conferences

**FREQUENCY**

- Quarterly
- Ongoing
- On request basis
- Annually

**METHODS OF ENGAGEMENT**

- Licence applications
- Inspection of facilities
- Active engagement on healthcare legislation/regulation
- Representation on government bodies - Dean of School of Nursing KPJUC is appointed as a Member of the Malaysian Nursing Boards

**FREQUENCY**

- Annual meetings for renewal licenses
- For every new application
- Quarterly meetings by the representatives

- Continued growth and financial sustainability
- Clear and transparent reporting
- Good Corporate Governance

- Cost of private healthcare
- Enforcement to improve on patient safety via the Malaysian Patient Safety Goals
- Addressing training needs and skills shortage
- Regulatory reforms relating to hospital planning
- Awareness on safety measure for employee
- Promoting Environmental Sustainability

- Consistent financial and non-financial performance
- Timely reporting of results, data and statistics pertaining to operational and financial performance
- Transparent disclosure of corporate responsibility, integrity and accountability as enshrined in Malaysian Code on Corporate Governance 2017
- Transparent disclosure of Environmental, Social and Governance (ESG) in corporate reporting as provided in FTSE4Good Bursa Index, the globally recognised index launched by the FTSE Group, owned by the London Stock Exchange.

- KPJ's adherence to regulatory requirements and strategic response to the healthcare market and commitment to manage climate change is embedded into our Group's management and operations, and cascaded down to all business units

**Impact on Strategy**

Our investors and shareholders are linked to our shareholder wealth creation agenda.

**Impact on Strategy**

The Government and regulators bear an impact upon our ability to offer quality healthcare services and our accountability in our stewardship of natural resources.

**Link to Strategic Thrusts**






**Link to Strategic Thrusts**





**INTERMEDIARIES**

<p><b>STAKEHOLDER RELEVANCE</b></p>	<p>All players in healthcare funding, such as employers, third party administration, insurance companies and managed care organisations, with privately insured patients remain the Group’s largest client base. As at 2018, we had dealings with 200 intermediaries.</p>		
	<table border="0"> <tr> <td data-bbox="414 802 966 1037"> <p><b>METHODS OF ENGAGEMENT</b></p> <ul style="list-style-type: none"> <li>• Regular meetings regarding possible cost savings, clinical quality and healthcare delivery improvements</li> <li>• Contract negotiations and renewal</li> <li>• Update on promotions and value added services</li> <li>• Panelship agreement</li> </ul> </td> <td data-bbox="1057 802 1481 860"> <p><b>FREQUENCY</b></p> <ul style="list-style-type: none"> <li>• Weekly/monthly/annually meetings</li> </ul> </td> </tr> </table>	<p><b>METHODS OF ENGAGEMENT</b></p> <ul style="list-style-type: none"> <li>• Regular meetings regarding possible cost savings, clinical quality and healthcare delivery improvements</li> <li>• Contract negotiations and renewal</li> <li>• Update on promotions and value added services</li> <li>• Panelship agreement</li> </ul>	<p><b>FREQUENCY</b></p> <ul style="list-style-type: none"> <li>• Weekly/monthly/annually meetings</li> </ul>
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<p><b>KEY FEEDBACK/ EXPECTATIONS</b></p>	<ul style="list-style-type: none"> <li>• High quality of services rendered in hospitals to garner high patient satisfaction levels</li> <li>• The price/cost of healthcare in private hospitals especially in medical treatment packages and services</li> <li>• Revised contracts and agreements</li> <li>• Panelship for new KPJ hospitals with major corporate clients</li> </ul>		
<p><b>KPJ’S RESPONSE TO STAKEHOLDER EXPECTATIONS</b></p>	<ul style="list-style-type: none"> <li>• Corporate Client Management is a fundamental part of our Customer Service philosophy, particularly in relation to intermediaries and their activities and performance</li> <li>• In terms of quality and patient safety, KPJ shares and discuss relevant information to address healthcare intermediaries concerns</li> </ul>		
<p><b>IMPACT AND LINK TO STRATEGIC THRUSTS</b></p>	<p><b>Impact on Strategy</b> Our relationship with healthcare intermediaries affect the Group’s ability to offer a wide range of healthcare packages and services.</p> <p><b>Link to Strategic Thrusts</b></p> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>01</p> </div> <div style="text-align: center;">  <p>04</p> </div> <div style="text-align: center;">  <p>06</p> </div> </div>		

## STAKEHOLDER MANAGEMENT



## ACCREDITATION BODIES &amp; INDUSTRY ASSOCIATIONS



MSQH is an accreditation body promoting continuous quality improvements and safety in the Malaysian healthcare industry. As at January 2019, there were 57 accredited private hospitals in Malaysia. KPJ accounts for 33% of the accredited private hospitals in Malaysia, with 19 of our hospitals having MSQH accreditation.

Four of our hospitals are JCI accredited. Out of a total of 13 JCI accredited private hospitals in Malaysia, 31% are KPJ hospitals.

KPJ is also a member of the Association of Private Hospitals in Malaysia (APHM), which plays an important role in achieving the objective of raising of standards of medical care within the country.

**METHODS OF ENGAGEMENT**

- Membership of the following bodies:
  - 2 of KPJ's Management serve as President and a Treasurer in MSQH, respectively
  - KPJ Medical Director and Senior Management serves as Board members in APHM
  - KPJ Nursing Officer of KPJ serves as Nursing Committee Member in APHM
  - KPJ's Board serves as Specialty Subcommittee Medicine of Pediatric Respiratory Medicine in National Specialist Register (NSR)
- Participation in conferences

**FREQUENCY**

- Annually - MSQH's AGM
- Annually - APHM Conference
- Meetings by the representatives of MSQH, APHM and others

- KPJ Policy emphasis on accreditation based on industry standards are communicated through APHM and MSQH vis-à-vis MOH, MOF, etc

- KPJ complied with the MSQH 5th Edition Accreditation Standard in relation to hospital accreditation

**Impact on Strategy**

The management and operations of industry certified and accredited hospitals affect our ability to generate the sustainable and long-term growth of our network of hospitals within the healthcare industry

**Link to Strategic Thrusts**



**SUPPLIERS**

**STAKEHOLDER RELEVANCE**

In order to deliver high quality healthcare services, we are dependent on a large and diverse range of suppliers such as medical and non-medical suppliers.

KPJ relies on our vendors and suppliers to deliver products and services of the highest quality in line with internal, regulatory and accreditation agency standards.

**METHODS OF ENGAGEMENT**

- Regular Meetings with medical and non-medical suppliers
- Contract negotiations
- Product demonstrations and evaluations
- Trainings and collaboration in events

**FREQUENCY**

- Weekly, monthly, quarterly and annually meetings

**KEY FEEDBACK/ EXPECTATIONS**

- Compliance with applicable regulatory requirements and quality standards
- Availability of products and services and ability to provide continuous support
- Fair and transparent negotiations

**KPJ'S RESPONSE TO STAKEHOLDER EXPECTATIONS**

- The Group is focused on streamlining and centralising our procurement processes to improve on efficiency and cost effectiveness
- The procedure for the selection of suppliers/contractors is based on consistency in promoting sustainable development, being environmentally friendly and concerns regarding corporate reputation.
- Formal procurement processes apply regarding tenders, contracting and preferred supplier agreement
- Overall responsibility for clinicians lies within the Clinical Governance Framework
- Contracted vendors and suppliers for medical and non-medical products are required to adhere to KPJ's Corporate Integrity Agreement (CIA) and the KPJ Safety, Health and Environmental Policy

**IMPACT AND LINK TO STRATEGIC THRUSTS**

**Impact on Strategy**

Our suppliers are a key enabler in achieving our objective to offer quality healthcare services.

**Link to Strategic Thrusts**



STAKEHOLDER MANAGEMENT



**LOCAL COMMUNITIES**

KPJ is committed to a sustainable long-term engagement by Klinik Waqaf An-Nur (KWAN) with the communities within which our network of healthcare services operates. We practice an engagement policy of mutual understanding, trust and reliability. Significant investment in social healthcare services and education is made annually by hospitals. KWAN has served 1.5 million patients since its inception in 1985.

**METHODS OF ENGAGEMENT**

- Klinik Waqaf An-Nur (KWAN) either as Static or Mobile Clinics
- Baby Hatches
- Educating the Public
- Medical Camps
- Reach-out Programmes

**FREQUENCY**

- 1 KWAN per year
- Weekly/Monthly activities by the hospitals
- Annually

- Health awareness
- Affordable and accessible healthcare
- Development of communities with solidarity, social welfare, health and safety

- Continuous investments in identified community engagement programmes, in line with World Health Organisation's promotions and initiatives
- Expanding reach of social healthcare services targeting urban poor and rural areas
- In order to serve quality healthcare and services to our communities, 8 of KWAN clinics are MSQH accredited

**Impact on Strategy**

Our engagements with local communities provide a platform for us to showcase our good corporate citizenship practices.

**Link to Strategic Thrusts**











# MATERIAL MATTERS

KPJ CONSIDERS ANY MATTERS WHICH BEAR A DIRECT OR INDIRECT IMPACT ON OUR ABILITY TO CREATE, PRESERVE AND GROW OUR FINANCIAL, ECONOMIC, ENVIRONMENTAL AND SOCIAL VALUE AS MATERIAL. IN IDENTIFYING OUR MATERIAL MATTERS, WE TAKE INTO CONSIDERATION A RANGE OF INTERNAL AND EXTERNAL FACTORS WHICH INFLUENCE OUR LONG-TERM VALUE CREATION ABILITY. THESE INCLUDE OUR EXTERNAL OPERATING ENVIRONMENT, STRATEGIES, STAKEHOLDER EXPECTATIONS AND KEY RISKS AND OPPORTUNITIES IDENTIFIED.


















FOR MORE INFORMATION ON OUR BUSINESS ENVIRONMENT, PLEASE REFER TO PAGES 32 TO 35. MORE DETAILS OF OUR GROUP STRATEGY CAN BE FOUND ON PAGES 28 TO 29, WHILE DETAILS OF OUR STAKEHOLDERS CAN BE FOUND ON PAGES 36 TO 43 AND OUR KEY RISKS AND OPPORTUNITIES ON PAGES 46 TO 51.

THE FOLLOWING MATTERS HAVE BEEN IDENTIFIED AS MATERIAL TO THE KPJ GROUP FOR THE YEAR 2018.



MATERIAL MATTERS	FACTORS	AFFECTED STAKEHOLDER GROUPS	LINK TO STRATEGIC THRUSTS	LINK TO KEY RISK & OPPORTUNITY
 <p><b>Cost of Healthcare Services</b></p>	<ul style="list-style-type: none"> <li>Exchange rate uncertainties of Ringgit Malaysia affect cost of imported items like drugs, surgical items and medical equipment</li> <li>Staff costs inflation due to shortages of experienced specialised healthcare professionals and competition from other operators</li> <li>Efficient and vigorous cost optimisation measures to manage direct costs and operating overheads; procurement policies designed to obtain from the best sources at lowest prices possible; investing in energy efficient appliances to optimise energy consumption.</li> <li>Since private healthcare services are priced based on "cost plus" model, optimal cost management will promote an efficient and competitive pricing framework</li> </ul>	<ul style="list-style-type: none"> <li>Patients, Intermediaries, Government &amp; Regulations, Accreditation Bodies &amp; Industry Associations, Shareholders</li> </ul>	   	<ul style="list-style-type: none"> <li>Ensuring availability of key medical staff &amp; consultants</li> <li>Clinical care</li> </ul>
 <p><b>Managing and Retaining Talent</b></p>	<ul style="list-style-type: none"> <li>Shortage of experienced specialised nurses and specialist consultants due to competition from other hospital operators</li> <li>Competitive remuneration packages and benefits to attract and retain the right talent</li> <li>Conducive working environment and culture to promote healthy work life balance</li> </ul>	<ul style="list-style-type: none"> <li>Consultants, Employees, Shareholders</li> </ul>	 	<ul style="list-style-type: none"> <li>Ensuring availability of key medical staff</li> </ul>

MATERIAL MATTERS

MATERIAL MATTERS	FACTORS	AFFECTED STAKEHOLDER GROUPS	LINK TO STRATEGIC THRUSTS	LINK TO KEY RISK & OPPORTUNITY
 <p><b>Government Regulations</b></p>	<ul style="list-style-type: none"> <li>• Strict licensing regime under the Private Healthcare Facilities and Services Act 1998</li> <li>• Cost of compliance with stringent regulations on licensing of hospital facilities, staffing ratios, quality standards, security of medical records, occupational safety &amp; health</li> </ul>	<ul style="list-style-type: none"> <li>• Government &amp; Regulators, Intermediaries, Patients, Employees &amp; Consultant, Shareholders</li> </ul>	 01  02  03  04  05  07	<ul style="list-style-type: none"> <li>• Government policy &amp; compliance with laws, regulations and other applicable requirements</li> </ul>
 <p><b>Quality of Service Standards</b></p>	<ul style="list-style-type: none"> <li>• Patient-centric, qualified and experienced healthcare professionals</li> <li>• Strict adherence to government regulations, accreditation standards and KPJ Clinical Governance Framework</li> </ul>	<ul style="list-style-type: none"> <li>• Patients, Intermediaries, Employees &amp; Consultants, Shareholders</li> </ul>	 02  05  06  07	<ul style="list-style-type: none"> <li>• Clinical care</li> <li>• Compliance with accreditation requirements</li> <li>• Ensuring availability of Key Medical staff &amp; Consultants</li> <li>• Insurance Management</li> </ul>
 <p><b>Funders for Healthcare Services</b></p>	<ul style="list-style-type: none"> <li>• Intermediaries like private insurance companies, managed care organisations and corporate employers constitute around 70% of hospitals revenue</li> <li>• Patients with medical insurance cards or undertaking letters from employers are able to be treated at any KPJ hospital nationwide</li> <li>• Collectively, these intermediaries have strong bargaining power on how much KPJ can charge for services, hence influencing KPJ revenue and market share</li> </ul>	<ul style="list-style-type: none"> <li>• Patients, Employees &amp; Consultants, Shareholders, Intermediaries</li> </ul>	 02  03  06  07	<ul style="list-style-type: none"> <li>• Integrity &amp; Ethics</li> <li>• Insurance Management</li> <li>• Insurance</li> </ul>




# KEY RISKS AND OPPORTUNITIES

Through our risk identification and management process, KPJ diligently monitors and assesses prevailing and future risks in the healthcare sector, and identifies current emerging opportunities to add to our value creation journey.

RISK DESCRIPTION	IMPACT OF RISK ON KPJ	HOW WE MANAGE THE RISK
<b>1 Ensuring Availability of Key Medical Staff &amp; Consultants</b>		
<p>Growing demand for private healthcare services could potentially lead to a shortage of suitably qualified and experienced staff to provide patient centric care to our customers.</p>	<p>In order to ensure profitable growth in line with KPJ's long-term strategies, the expansion of KPJ's network of hospitals and the upgrading of existing hospitals require additional suitably qualified staff to cater to growing needs.</p> <p>The retirement of senior doctors may also jeopardise the continuity of the talent pool in certain sub specialities.</p>	<ul style="list-style-type: none"> <li>• KPJ focuses on staff retention, and pursues various training and productivity strategies to widen staff career opportunities to serve the Group.</li> <li>• To ensure a strong talent pipeline, KPJ has KPJUC that conducts various medical and healthcare courses from certificates to PhD level.</li> <li>• Our wide network of hospitals that are equipped with international standard facilities and equipment is a strong pull factor for specialist doctors to join the Group.</li> <li>• KPJ's robust Clinical Governance Framework that promotes clinical safety and excellence offers a strong safety net for healthcare professionals.</li> <li>• Continued investment in appropriate skills development and offering a succession plan programme and reward strategy to retain our talents and professionals.</li> </ul>
<b>2 Clinical Care</b>		
<p>Delivering high quality, customer focused healthcare services to provide for market needs and expectations.</p>	<p>Failure to provide high quality patient centric care may lead to negative media comments and patients dissatisfaction that will affect KPJ's reputation and drive away customers.</p>	<ul style="list-style-type: none"> <li>• Medical Advisory Committee (MAC) as the apex clinical committee overseeing KPJ's Clinical Governance Framework and guidelines for sound and ethical medical practices. The MAC has various sub-committees within its purview namely Clinical Governance Policy Committee, Clinical Governance Action Committee, Clinical Ethics Committee and Research &amp; Development Committee.</li> <li>• Clinical Risk Management Committee (CRMC) to review and oversee the effectiveness of the clinical ERM framework, with all major clinical risks and incidents related to patient and staff safety presented to CRMC.</li> <li>• KPJ Patient Safety Goals under the purview of the MAC are designed to ensure all KPJ hospitals are offering patients the best care possible.</li> <li>• The analysis of trends of clinical outcomes are monitored and act as reference to mitigate any risk that relates to clinical and infectious disease.</li> </ul>
<b>3 Government Policy &amp; Compliance with laws, regulations and other applicable requirements</b>		
<p>KPJ operates in a highly regulated environment which includes laws passed by the Malaysian Government pertaining to private healthcare facilities such as the Private Healthcare Facilities and Services Act 1998 (Act 586) and Occupational Safety and Health 1994 (Act 514).</p>	<p>Failure to comply to laws and regulations could result in KPJ being subject to patient claims, fines, penalties, damage to reputation, suspension from the treatment of patients, loss of operating licence or accreditation which would result in the Group not being able to operate one or more of its hospitals thus causing a reduction in earnings.</p>	<ul style="list-style-type: none"> <li>• KPJ continues to strengthen its ERM framework and associated policies and procedures to ensure risks are mitigated as far as possible.</li> <li>• KPJ has in place significant Clinical Care processes and policies overseen by MAC and CRMC to ensure continuous compliance with existing laws, rules and regulations.</li> <li>• KPJ continuously engages with the Ministry of Health Malaysia to remain up to date on any potential changes in Government Policy.</li> </ul>









KEY RISKS AND OPPORTUNITIES

KEY ACHIEVEMENTS/ ACTIVITIES IN 2018 TO MITIGATE RISKS	LINK TO MATERIAL MATTERS & STRATEGIC THRUSTS
<ul style="list-style-type: none"> <li>• Three new programmes were introduced in 2018, namely, Healthcare Assistant Course, Diploma in Healthcare Management and Bachelor of Healthcare Management (Honours).</li> <li>• KPJUC conducted four in-campus interviews for working placements as per our hospitals' requirements.</li> <li>• Talent Management services conducted interviews for placement and increased our clinical staff by 3% in 2018.</li> <li>• 54 new resident consultants of various specialities joined the Group in 2018.</li> </ul>	<p><b>Material Matters</b> Managing and Retaining Talent</p> <p><b>Strategic Thrusts</b></p> 
<ul style="list-style-type: none"> <li>• Clinical Governance Policy Committee approved ten new policies and seven were also updated.</li> <li>• Clinical surveys were conducted on 24 hospitals covering 14 service areas.</li> </ul>	<p><b>Material Matters</b> Quality of Service Standards</p> <p><b>Strategic Thrusts</b></p> 
<ul style="list-style-type: none"> <li>• Continuously engage with MOH to remain up to date on any potential changes in Government regulations and policies.</li> <li>• Ensured all non-compliance issues were complied with prior to renewal of operating licences.</li> <li>• Embarked on the implementation of ISO 45001 (Occupational Health &amp; Safety Management System).</li> </ul>	<p><b>Material Matters</b> Government Regulations</p> <p><b>Strategic Thrusts</b></p> 

KEY RISKS AND OPPORTUNITIES

RISK DESCRIPTION	IMPACT OF RISK ON KPJ	HOW WE MANAGE THE RISK	
<b>4 Integrity &amp; Ethics</b>			
<p>Expectations for employees of the Group to adhere to the highest standards of ethical conduct and values, and to avoid conflict of interest in any ongoing or potential business dealings in the Group with various suppliers and service providers.</p>	<p>Non-compliance could affect KPJ's reputation in the marketplace, thus diluting its brand value and market appeal.</p>	<ul style="list-style-type: none"> <li>• Staff reaffirm their commitment to KPJ through the Staff Integrity Pledge Ceremony.</li> <li>• Employees to report any misconduct or unethical behaviour by any staff member directly to the Managing Director.</li> <li>• Comprehensive Whistle-Blowing Policy covering three tiers of whistle-blowing reporting line ie , President &amp; Managing Director, Chairman of the Audit Committee, and Chairman of the Board.</li> <li>• KPJ is a signatory to the "Malaysian Corporate Integrity Pledge" since 2011.</li> <li>• No Gifts and Entertainment Policy applicable to all staff.</li> <li>• Asset Declaration Policy applicable to staff of Manager grade and above.</li> <li>• Tender Evaluation Committee is responsible for evaluating all tenders for purchases, award of contracts and appointment of project development consultants/ advisors and makes its recommendation to the Building &amp; Tender Board Committee.</li> </ul>	
<b>5 Compliance with Accreditation Requirements</b>			
<p>KPJ's hospital accreditations are obtained from internationally acknowledged bodies, namely the Malaysian Society for Quality in Health (MSQH) and the Joint Commission International (JCI), which puts its hospitals on par with international hospital accreditation standards.</p>	<p>It is necessary to maintain KPJ's hospital accreditations in order to remain a leader in the marketplace, thus ensuring its reputation as the healthcare provider of choice.</p>	<ul style="list-style-type: none"> <li>• Maintaining national and international accreditation to remain a leader in the healthcare sector and to support health tourism initiatives.</li> <li>• All hospitals with the MSQH and JCI accreditations have to undergo stringent surveillance audits by the respective surveyors and audit teams to ensure compliance with accreditation standards and requirements before accreditation certification can be renewed, usually every three years.</li> </ul>	
<b>6 Insurance Management</b>			
<p>KPJ, as with other healthcare companies, is sometimes subjected to legal actions alleging negligence, malpractice and other claims.</p>	<p>Any legal action could potentially lead to the payment of damages and significant legal costs.</p>	<ul style="list-style-type: none"> <li>• KPJ has in place adequate insurance coverage on its major assets and to protect against potential liability arising from its operations.</li> <li>• All specialists, medical officers and other healthcare professionals of KPJ Group are covered by Medical Malpractice Insurance to mitigate against medico-legal risks in the course of performing their duties.</li> </ul>	








KEY RISKS AND OPPORTUNITIES

KEY ACHIEVEMENTS/ ACTIVITIES IN 2018 TO MITIGATE RISKS	LINK TO MATERIAL MATTERS & STRATEGIC THRUSTS
<ul style="list-style-type: none"> <li>• Four staff successfully completed the Certified Integrity Officer (CeIO) programme in collaboration with Johor Corporation and the Malaysian Anti-Corruption Commission (MACC).</li> <li>• Declaration of Asset extended to all staff.</li> <li>• Declaration of Integrity Pact by all tenderers prior to their tender submission.</li> <li>• Continuously ensuring that all staff reaffirm their commitment through the staff Integrity Pledge Ceremony during PEDOMAN and e-integrity pledge via Employee Self Service (ESS) system.</li> <li>• In 2018, 1,277 new vendors and suppliers have signed the Corporate Integrity Agreement (CIA) with KPJ. To date, a total of 7,858 vendors and suppliers have signed the CIA.</li> <li>• Signing of 'Borang Peradaban' declaration for all staff on a yearly basis to encourage employees to report any misconduct or unethical behaviour committed by anyone within the Group.</li> <li>• In 2018, the Tender Evaluation Committee conducted 7 meetings evaluating all tenders for purchases, award of contracts and appointment of project development consultants/advisors, thereafter making its recommendation to the Building and Tender Board Committee.</li> <li>• 21 Integrity Talk/Roadshow in 2018.</li> </ul>	<p><b>Material Matters</b> Managing and Retaining Talent</p> <p><b>Strategic Thrusts</b></p> 
<ul style="list-style-type: none"> <li>• All hospitals are certified with IMS Certification that includes ISO 9001:2015 Quality Management System, OSHAS 18000:2007, ISO 14000:2015 Environmental Management System and ISO 22000:2018 Food Safety Management System.</li> <li>• All hospitals are moving towards the conversion from ISO 18001:2007 OSHAS to ISO 45001:2018 Occupational Safety and Health Management System.</li> <li>• 19 hospitals are MSQH accredited, while 4 are JCI accredited.</li> <li>• KPJ Dental Specialist Centre obtained MSQH accreditation status in 2018, the first in Malaysia.</li> <li>• 8 KWAN clinics are MSQH accredited.</li> <li>• 2 of our hospitals, namely KPJ Ampang Puteri and KPJ Damansara were certified with the Gold-Level Excellence in Person-Centred Care from Planetree International, the first and only in Asia Pacific region.</li> <li>• 14 of our hospitals were certified with Baby Friendly Hospital Initiatives (BFHI).</li> <li>• Lablink Medical Laboratory has been certified by the Department of Standards Malaysia with ISO 15189:2014.</li> </ul>	<p><b>Material Matters</b> Quality of Service Standards</p> <p><b>Strategic Thrusts</b></p>    
<ul style="list-style-type: none"> <li>• Renewal of insurance policies for the period of coverage from 1 January 2019 until 31 December 2019. Prior to the renewal, we undertook a comprehensive risk review of the Group's insurance needs, taking into account changes in the operating environment as well as assets and liabilities.</li> </ul>	<p><b>Material Matters</b> Government Regulations Quality of Service Standards</p> <p><b>Strategic Thrusts</b></p> 

## KEY RISKS AND OPPORTUNITIES

RISK DESCRIPTION	IMPACT OF RISK ON KPJ	HOW WE MANAGE THE RISK
<b>7 Cybersecurity</b>		
KPJ's IT platform supports a number of management, administrative and clinical processes which are crucial for the smooth operations of the Group.	KPJ's business could be disrupted if its information systems fail or if its databases are breached, destroyed or damaged.	<ul style="list-style-type: none"> <li>• Dedicated team of IT Security professionals to protect KPJ's in-house developed integrated systems comprising of Hospital Information Technology System (HITS) and KPJ Clinical Information System (KCIS).</li> <li>• KPJ Information Technology team has put in place the following security protocols and procedures:- <ul style="list-style-type: none"> <li>- Firewall systems to protect against unauthorised access</li> <li>- Robust security access policies and protocols according to various user types</li> <li>- System security software is updated regularly as and when available to defend against latest security threats.</li> </ul> </li> </ul>
<b>8 Readiness to Respond to Major Internal or External Incidents</b>		
During an emergency or an internal or external disaster, KPJ has to respond in a timely manner to critical incidents.	Failure to respond in a measured manner and ensure smooth hospital operations despite the emergency or internal or external disaster would lead to the disruption of hospital operations. This would cascade down to impact the Group's reputation in the marketplace, and affect its future profitability.	<ul style="list-style-type: none"> <li>• KPJ has a Business Continuity Management (BCM) Plan in place to ensure that critical business processes can be maintained or restored in the event of a major internal or external incident including managing climate change.</li> <li>• KPJ has adopted the requirements of the Private Healthcare Facilities and Services Act 1998 (Act 586), Occupational Safety and Health 1994 (Act 514), JCI and MSQH in formulating the BCM.</li> </ul>
<b>9 Framework for Management of Risk</b>		
KPJ faces various risks in its ongoing regional operations which need to be assessed, evaluated and mitigated in a timely manner and reported.	The establishment of clear structures of risk assessment and management that KPJ faces in its regional operations is necessary to ensure that risks are dealt with effectively to minimise its impact on KPJ's operations and profitability.	<ul style="list-style-type: none"> <li>• KPJ subscribes to the "Australian/New Zealand Standard 4360:1999 Risk Management" to guide its risk management activities.</li> <li>• KPJ has adopted the "Australian/New Zealand Standard HB228:2001 Guidelines for Managing Risk in Healthcare" as its base framework in managing its business risks comprising clinical staff, employee, property, financial, corporate governance, and others.</li> <li>• KPJ has in place an Enterprise-Wide Risk Management (ERM) framework for managing risks associated with its business and operations. ERM framework has three levels of defence with clear lines of responsibilities and accountabilities comprising : Level 1 - Hospital Level Management and Board Level 2 - Clinical Services and Risk Management Services at HQ Level 3 - Group Internal Audit at HQ .</li> <li>• Risk management activities are coordinated through a risk reporting and escalation framework known as "Incident Reporting &amp; Root Cause Analysis" via Q-Radar portal.</li> <li>• Working towards ISO:31000 Risk Management certification by mid 2019.</li> </ul>

KEY RISKS AND OPPORTUNITIES

KEY ACHIEVEMENTS/ ACTIVITIES IN 2018 TO MITIGATE RISKS	LINK TO MATERIAL MATTERS & STRATEGIC THRUSTS
<ul style="list-style-type: none"> <li>In 2018, seven hospitals has been upgraded with HITS2 and six with KCIS2 with enhance functionality and security features.</li> <li>Implemented new User Access Matrix (UAM) at all hospitals to enhance systems access security.</li> <li>Installation of new internet and network security systems to all hospitals &amp; subsidiaries.</li> <li>Monthly IT Security Bulletins to all staff to create awareness and enhance vigilance.</li> </ul>	<p><b>Material Matters</b> Government Regulations</p> <p><b>Strategic Thrusts</b></p>  
<ul style="list-style-type: none"> <li>In 2018, a total of 25 Fire Safety Training &amp; Drill and Disaster, Emergency Training &amp; Drill (internal and external) were conducted in the Group.</li> <li>In November 2018, KPJ Seremban received a bomb treat, a “Code Black” event. The hospital managed to evaluate all patients safely. Coordination with various government agencies like PDRM, Bomba, Majlis Keselamatan Negeri went well. The bomb treat turned out to be a hoax.</li> </ul>	<p><b>Material Matters</b> Quality of Service Standards Government Regulations</p> <p><b>Strategic Thrusts</b></p>    
<ul style="list-style-type: none"> <li>Formation of Risk and Sustainability Committee (RSC) of the Board to evaluate and review the assessment of risk identification, the effectiveness of Enterprise Risk Management, and other processes in managing the Group’s principal risks. The RSC also reviews and evaluates the Group level risk exposures and management of significant risks identified.</li> <li>In 2019, KPJ is moving towards ISO 31000:2018 Risk Management Guidelines and will be adopting the ISO 31000:2018 standard by June 2019 to be in line with KPJ’s ISO Certification Programme. The Guidelines enables all hospitals and subsidiaries to identify, assess, monitor and report risks in an effective manner.</li> <li>Rolled out KPJ Online Incident Reporting System (Q-Radar) System to all hospitals Sabah and Sarawak. All hospitals in Malaysia are now on the same platform.</li> </ul>	<p><b>Material Matters</b> Quality of Service Standards</p> <p><b>Strategic Thrusts</b></p> 

# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS AND STAKEHOLDERS OF KPJ,

IT IS MY PRIVILEGE TO PRESENT TO YOU KPJ HEALTHCARE BERHAD'S (KPJ OR THE GROUP) INAUGURAL INTEGRATED REPORT (IR) FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (FY2018).

Having embarked on our integrated thinking journey in 2016, this year we advanced it further with the goal of providing transparent and accountable reporting, as well as demonstrating how the Group has created and shared value for our shareholders and stakeholders.

To prepare us for this effort, the KPJ team conducted workshops during the year, and worked together as a team to produce a concise and focused report with a comprehensive narrative in line with global best practices as espoused by the Integrated <IR> Reporting Framework and Guidelines. Through our IR 2018, we aim to share with you how we have achieved our strategic objectives within our patient centric healthcare business for FY2018, and our forward moving strategies to capture greater long-term value.

### KEY HIGHLIGHTS FOR 2018

Since KPJ's inception in 1981, our focused strategies have sustained our growth in an increasingly competitive and complex healthcare landscape within our footprint in the Asia Pacific region. In our home market of Malaysia, the national economy recorded only moderate Gross Domestic Product (GDP) growth of 4.8%, which has impacted corporate employers' confidence regarding future economic prospects, and thus many are seen to be mitigating it by downsizing employees healthcare insurance coverage. Whilst the healthcare sector was also shaped by shifts in the regulatory environment, the signal given by the Malaysian Government continues to be reassuring as unveiled in Budget 2019, reflecting national commitment towards raising public healthcare

## DATO' KAMARUZZAMAN ABU KASSIM

CHAIRMAN



**IN OUR HOME MARKET OF MALAYSIA, THE NATIONAL ECONOMY RECORDED ONLY MODERATE GROSS DOMESTIC PRODUCT (GDP) GROWTH OF 4.8%**

spend to between 6% and 7% of GDP, from 4.6% previously, in line with healthcare spends in developed nations.

Notwithstanding challenges faced by the industry, KPJ's resilient business fundamentals enabled us to record another solid performance in FY2018. The Group recorded our highest revenue to date, which grew by 4% to RM3.3 billion from RM3.2 billion the previous year. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased correspondingly by 18% to RM503.1 million from RM428.0 million in 2017, on the back of

## CHAIRMAN'S STATEMENT



sustained efforts to increase our market share through new hospital developments, expansions of existing hospitals, venturing into burgeoning niche healthcare segments, and leveraging on the advancements of digitalisation and medical technology (MedTech) innovations of Industry 4.0.

#### REFINED BRANDING TO REFLECT OUR FUTURE ASPIRATIONS

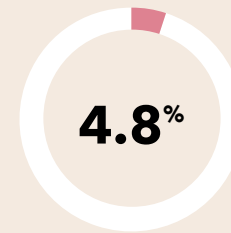
Another key exercise conducted during the year was refining our Group's branding to reflect our sustainable business aspiration and vision of being the preferred healthcare provider. This was borne



**THE GROUP RECORDED OUR HIGHEST REVENUE TO DATE, WHICH GREW BY 4% TO RM3.3 BILLION FROM RM3.2 BILLION THE PREVIOUS YEAR. EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA) INCREASED CORRESPONDINGLY BY 18% TO RM503.1 MILLION FROM RM428.0 MILLION IN 2017**

#### KEY HIGHLIGHTS

The year 2018 was characterised by a buoyant Malaysian economy



Gross Domestic Product (GDP) growth of 4.8% for the year.

#### Our Seven Strategic Thrusts Areas

keep us on course as we strive to increase our market share



→ **CAPACITY BUILDING**



→ **ENRICHED CUSTOMER RELATIONSHIP**



→ **INNOVATION @ THE CORE**



→ **NEW NICHES**



→ **TALENT MANAGEMENT**



→ **BUSINESS PROCESS IMPROVEMENT**



→ **SUSTAINABLE VALUE FOR STAKEHOLDERS**



**THROUGH THE YEARS, THIS HAS TRANSLATED INTO CONSISTENT SHAREHOLDER REWARDS OF QUARTERLY DIVIDEND PAYOUTS BETWEEN 45% AND 50% OF THE GROUP'S NET PROFIT.**

through the re-design of our new logo, which was aligned with our parent company Johor Corporation's logo upgrade and refresh exercise.

Our modern and contemporary logo is also a sign of KPJ's evolution in a dynamically changing healthcare era to reposition our brand in domestic and international markets through an eye-catching, easy to recall and impactful design. It is aligned with our new communication direction which leverages on virtual and social media to enhance the effectiveness of our brand in the marketplace.

**THE VALUE WE CREATED FOR OUR STAKEHOLDERS**

In line with our Group philosophy of Care For Life, and aligned with our commitment to create continuous value for our shareholders and stakeholders, KPJ delivered the following value creation for FY2018.

**For Our Shareholders**

We have maintained a consistent and sustainable dividend policy for our shareholders, via progressive dividends that takes into account our underlying earnings and available funding, whilst remaining prudent and retaining sufficient capital for ongoing operations and project developments. Through the years, this has translated into consistent shareholder rewards of quarterly dividend payouts between 45% and 50% of the Group's net profit. Given our strong results for the year, the Board of Directors has declared dividends of 2.0 sen per ordinary share, with total dividends of RM84.7 million paid for FY2018.

**For Our Customers and Patients**

Our commitment towards providing the highest quality of patient centric care to be the preferred healthcare provider is evidenced by new healthcare engagement models such as Planetree, as well as focused initiatives to embed patient centric healthcare across our network.



## CHAIRMAN'S STATEMENT

## KEY HIGHLIGHTS

DECLARED  
DIVIDENDS OF

2.0

SEN

per ordinary share, with total dividends of RM84.7 million paid for FY2018



## KPJ'S TALENT BASE OF

13,395

PEOPLE

represents the public persona of the Group

CONTRIBUTES TO THE  
WELLBEING AND GOOD  
HEALTH

24

KLINIK WAQAF AN-NUR  
(KWAN)

and

5

FIVE MOBILE CLINICS  
NATIONWIDE

During the year, we expanded the scope of our specialist healthcare offerings, leveraging on MedTech to offer our patients access to cutting edge medical solutions. We enlarged our footprint by opening new hospitals and upgraded facilities in existing hospitals, which have allowed us to serve greater market demand and provide broader access to our high quality and affordable healthcare services.

**For Our Employees**

KPJ's talent base of 13,395 people represents the public persona of the Group's concerted efforts in living out a high performance culture which puts our patients at the heart of all we do. We have remained on track with our talent development programmes, to inspire our employees to continuously innovate in terms of customer service, processes and systems towards ensuring the highest standards of healthcare delivery.

To ensure responsiveness to changing times and patient expectations, we have invested a total of RM11.3 million Group-wide in our talent development programmes throughout 2018, by growing our people's capacities and capabilities in the areas of MedTech and digitalisation of healthcare services.

**For Our Communities**

KPJ contributes to the wellbeing and good health of the less fortunate in our communities through our 24 Klinik Waqaf An-Nur (KWAN) and five mobile clinics nationwide. Our flagship community healthcare initiative since 1998, KWAN provide medical services for a minimum fee of only RM5, and dialysis treatments for only RM90. In 2018, we provided medical treatments at KWAN for 120 patients, while a total of 174 kidney patients benefitted from dialysis treatments.

Our initiatives in this sphere represent our ongoing commitment to do our part to expand quality, universal healthcare access for the underprivileged and lower income communities who would not ordinarily be able to afford private healthcare services. At the same time, these initiatives have helped alleviate the burden on public healthcare services, signifying our greater commitment towards the socioeconomic development of our country. As at end 2018, we invested a total of RM7.2 million on KWAN clinics nationwide.

**For the Government**

In alignment with the Government's goals and aspirations, KPJ has maintained an ongoing commitment to further develop the healthcare sector in Malaysia by our observance of healthcare regulations and policies, ongoing engagement with the Government on healthcare issues and legislation, seeking to bring our best practices and insights to the table as we work collaboratively towards enhancing the healthcare sector, as well as responsibly managing the environmental impact of our business.

As a result of sustained engagements with the Government, KPJ is providing vaccinations for employees of the Immigration Department of Malaysia (Jabatan Imigresen Malaysia or JIM) and the National Registration Department (Jabatan Pendaftaran Negara or JPN) at selected offices nationwide beginning in 2018.



### OUR ECONOMIC, ENVIRONMENTAL AND SOCIAL (EES) COMMITMENTS

The year 2018 was a landmark year for us, as we significantly enhanced our EES commitments by aligning and mapping our sustainable business outcomes against the United Nations Sustainable Development Goals (UN SDGs). We also maintained efforts to adhere to the Malaysian Patient Safety Goals (MPSG) to continuously improve patient outcomes and towards a more inclusive healthcare system which takes into account complex trends shaping healthcare provision all over the world.

As we embark in this bold new direction towards enhancing our sustainability development commitments, KPJ has produced its first standalone Sustainability Report (SR) to document our journey towards national socioeconomic development and provide a comprehensive account of our EES contributions.

### SUSTAINED COMMITMENT TOWARDS UPHOLDING STRONG GOVERNANCE

To ensure that the Group effectively address the risks we face within a shifting and challenging healthcare landscape, and embed mitigations into our business operations, we incorporated a Risk and Sustainability Committee at Board of Directors (Board) level during the year. Further, a new tender board was put in place not only to ensure stricter procurement governance but to also safeguard quality by making sure that suppliers and vendors appointed have the capacities and capabilities to support us in providing the highest standards of goods and services.

It is with pride we highlight that our network of hospitals have remained on course with various quality accreditations and certifications, testament to the standard of excellence we deploy across the board. These are evident in international and local validations we

received in 2018, some of which were industry firsts, both in Malaysia and the region. They include the following:

- KPJ Group was certified for ISO 9001:2015 by TUV Rheinland
- KPJ Dental was the first dental facility in Malaysia to receive MSQH accreditation
- Lablink Medical Laboratory was certified by the Department of Standards Malaysia with ISO 15189:2012
- KPJ Ampang Specialist Hospital and KPJ Damansara Specialist Hospital were the first two hospitals in Malaysia and the Asia Pacific region to receive the Gold Level Excellence in Person-Centred Care certification from Planetree International, USA
- KPJ Sabah was awarded with the Accredited Quit Smoking Service location by the Malaysian Ministry of Health
- KPJ Seremban was awarded one star for the Energy Management Gold Standard under ASEAN Energy Management Scheme (EMGS AEMAS)

### AWARDS AND RECOGNITIONS

KPJ continue to receive awards and recognitions in 2018, again a testament of our sterling reputation in providing the highest quality of medical treatments and services for our patients.

On behalf of everyone at KPJ and Johor Corporation, I would like to congratulate our President and Managing Director Dato' Amiruddin Abdul Satar for receiving the Digital Transformation Leader of the Year Award at the IDC Digital Transformation Awards, as presented by the International Data Corporation (IDC). His strong leadership in steering the future of the Group through digitalisation and MedTech adoption has been a crucial factor in ensuring that KPJ remains ahead of the curve in the provision of healthcare services in Malaysia.

In recognition of KPJ's high levels of employee engagement and excellence workplace culture, KPJ Healthcare Berhad was recognised as one of the Best Companies to Work in Asia 2018 by HR Asia at the HR Asia Awards. The Group was also presented with the Platinum Trusted Brand Award by Reader's Digest Asia, signifying the strength of our brand and the trust it inspires.

Focused efforts to expand the reach of the KPJ brand to provide healthcare services to medical tourists resulted in the Group being recognised as Hospital of the Year in Malaysia at the Global Health and Travel Awards 2018. On home shores, our efforts towards ensuring the wellbeing of communities through our Corporate Social Responsibility (CSR) programmes were lauded by CSR Malaysia at the CSR Malaysia Awards 2018.

### ACKNOWLEDGEMENTS

On behalf of the Board, I would like to stress that KPJ's value creation journey towards transforming KPJ into a world-class healthcare provider would not have been possible without the continuous support and cooperation of all our stakeholders.

We take this opportunity to express our heartfelt gratitude to the various state governments as well as the Federal Government, along with the Ministry of Health and other health regulators and accreditation bodies, along with our vendors and suppliers for their ongoing support of our mission to provide patient centric healthcare solutions and treatments.

To our consultants, medical officers, nurses and all other medical and non-medical professionals, we thank them for their steadfast dedication and commitment in living out the Group's values in their daily roles and responsibilities, which has kept the KPJ brand at the forefront of the healthcare industry.

## CHAIRMAN'S STATEMENT



As for our customers and patients, we thank them from the bottom of our hearts for their continued trust and faith in our quality healthcare delivery. On a personal note, I would like to extend my appreciation to my colleagues on the Board for their unwavering commitment in steering KPJ forward towards the realisation of our strategic goals by sharing their insights, wisdom and expertise.

And finally to our shareholders, our deepest thanks for their sustained belief in our value creation abilities and for continuing this journey with us. As we forge ahead into the future, we wish to reaffirm our commitment to sustain our efforts towards greater value creation across our entire ecosystem of stakeholders.

**Dato' Kamaruzzaman Abu Kassim**

Chairman  
KPJ Healthcare Berhad

# PRESIDENT & MANAGING DIRECTOR'S REVIEW

**DEAR SHAREHOLDERS,**  
I AM PLEASED TO SHARE WITH YOU KPJ'S FIRST INTEGRATED REPORT (IR), WHICH HAS BEEN PREPARED BASED ON SIX CAPITALS FOR THE FINANCIAL YEAR ENDED 2018 (FY2018), AS GUIDED BY OUR STRATEGIC DIRECTION.

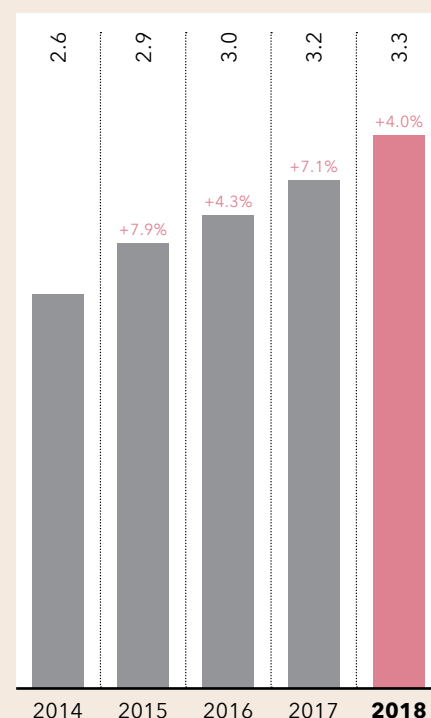
The Group operated within a complex and shifting external environment in 2018, marked by shifts in geopolitical and macroeconomic factors, health regulations and evolving trends, within an increasingly competitive private healthcare sector. In our primary home market of Malaysia, the economy grew at a moderate rate of 4.8%, and this sluggish growth impacted demand for private healthcare services with many corporate employers downsizing and reducing their employees' medical benefits. At the same time, the new Government in Putrajaya unveiled a more healthcare centric Budget 2019, with Government allocations aimed at reforming the healthcare sector in the country.

Local healthcare trends saw an increase in healthcare expenditure driven by an ageing population, as well as the rising trend of non-communicable diseases. New technologies and lifestyle changes are triggering and impacting patient demands and expectations.

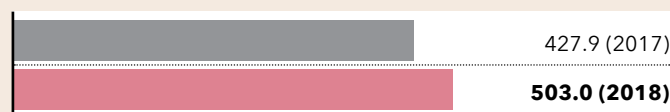
Competition increased significantly amongst private healthcare providers, with both large networks and smaller private clinics competing for top of mind recall in stakeholders' minds. The increasing number of private hospitals and clinics has also led to difficulties in hiring and retaining talent in the medical fraternity.

## KEY HIGHLIGHTS

### 5 YEARS REVENUE (RM BIL)



### EBITDA (RM MIL)



### PBZT (RM MIL)



### PAT (RM MIL)



## PRESIDENT &amp; MANAGING DIRECTOR'S REVIEW

**DATO' AMIRUDDIN  
ABDUL SATAR**

PRESIDENT &amp; MANAGING DIRECTOR



**THE STRONGER POSITION LED TO AN EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA) GROWTH OF 18%, FROM RM428.0 MILLION IN 2017, TO RM503.1 MILLION IN 2018.**

**GROUP FINANCIAL PERFORMANCE 2018**

Despite this challenging backdrop, KPJ had a year of record performance, posting our highest revenue and profit to date. We recorded double digit growth, underpinned by solid overall performance. Our key drivers have been the Group's sustained improvements in operational efficiencies and strict cost discipline. Revenue increased by 4% to RM3.3 billion, from RM3.2 billion in 2017, driven by increased contributions from our Malaysian hospital operations. This was primarily due to an increase in patient visits, as well as growth in the number of operating beds and surgeries performed, especially at KPJ Rawang, KPJ Bandar Maharani and KPJ Pasir Gudang.

The stronger position led to a Earnings before interest tax, depreciation and amortisation (EBITDA) growth of 18%, from RM428.0 million in 2017, to RM503.1 million in 2018. Profit

before zakat and tax (PBZT) stood at RM266.5 million in 2018, compared to RM233.3 million the previous year. The Group posted net profit of RM186.2 million, a 12% increase from RM166.9 million the previous year.

For a complete financial review of our performance, please refer to our Chief Financial Officer's Review on pages 66 to 68 of this IR.

**TURNAROUND OF NEW HOSPITALS**

Over the past five years, KPJ has been expanding our network of hospitals. This includes seven new hospitals in greenfield and brownfield locations throughout Malaysia. Achieving profitable hospital turnaround is not an easy task, and therefore 2018 was a particularly good year for KPJ, as two hospitals we had launched in 2014 achieved profit turnaround, namely, KPJ Rawang and KPJ Maharani where each posted a full year

revenue of RM100.3 million and RM47.5 million respectively. Profit after tax for KPJ Rawang and KPJ Maharani were RM4.3 million and RM0.6 million respectively, denoting growth of more than 100% from the previous year.

We view this as a significant achievement and a testament of KPJ's ability to successfully turnaround hospitals in greenfield locations by adopting the right business model and optimal strategy. It also is indicative of the depth of our Management's abilities in developing strong hospital leadership teams. As we continue to open new hospitals and expand our hospital network to capture greater opportunities, we are able to sustainably develop talent for our hospital leadership and management to ensure we remain on track with our long-term growth agenda. We remain committed to continue bringing on board talented and capable management and medical talent as we continue with our ongoing network expansion journey.

### EXPANDING AND ENHANCING OUR HOSPITAL NETWORK

Armed with the requisite knowledge on how to affect successful turnarounds at new hospitals, KPJ continued our hospital network expansion strategy and opened two new hospitals in 2018. KPJ Perlis opened to the public in Kangar, in the northern-most state of Perlis, with 21 beds, six hospital services and nine specialist consultants on board. The hospital's official launch was officiated by DYMM Raja Perlis, on 1 November 2018. In the southern-most state of Johor, we opened KPJ Bandar Dato' Onn in Johor Bahru with 30 beds, nine hospital services and nine consultants.

KPJ Selangor officially launched on 22 December 2018 in Shah Alam. The new block was officiated by DYMM Sultan of Selangor. We further expanded the capacities of five existing hospitals by adding more beds to cater to growing



The launching of KPJ Perlis Specialist Hospital by DYMM Raja Perlis

demand, namely at KPJ Johor, KPJ Klang, KPJ Bandar Maharani, KPJ Pasir Gudang.

In line with changing healthcare trends the Group also launched new services and centres during the year. Sabah's first private radiotherapy and oncology centre was launched at KPJ Sabah on 9 December 2018 to provide treatment to cancer patients in the state. As well as that, we also developed new acute stroke services which we will initiate at our Klang Valley hospitals, and then rollout to other hospitals in our Group.

Regionally, the Group opened three KPJ Information Centres, one in Batam, Kepulauan Riau, Indonesia; one in Palembang, Sumatera, Indonesia; and one in Dhaka, Bangladesh. This strengthens our regional presence and enhances our marketing efforts for our hospitals in Indonesia and Bangladesh.

For KPJ the expansion of our hospital network and services is not just business as usual. More importantly it represents our commitment towards the development of the healthcare sector both within our home country of Malaysia, as well as within regional operations. In Malaysia, the locations of our hospitals in greenfield areas leads to expanding the access of private healthcare services to fellow Malaysians who live in suburban and rural areas. We are also involved in creating jobs in the medical sector, as well as assisting in the development of local vendors and suppliers who provide us the products and services we require to manage our hospitals efficiently.

## PRESIDENT &amp; MANAGING DIRECTOR'S REVIEW

**STRATEGIC PARTNERSHIP TO GROW OUR PATHOLOGY AND DIAGNOSTICS BUSINESS**

A key partnership we concluded in early 2018 was the sale of 49% of equity shares in our diagnostics unit, Lablink (M) Sdn Bhd to Singapore-based private equity firm, Quadria Capital Investment Management Pte Ltd, for a total of RM119.9 million. With the conclusion of the deal, KPJ has retained majority shareholding of 51% of Lablink's equity.

Our rationale in entering this strategic partnership is to utilise the injection of funds from our new partners to expand the reach of our laboratory service offerings to other hospitals in Malaysia, as well as to expand our footprint regionally in the near future. We will be working with our partners to explore new growth markets in Southeast Asia, with the aim of becoming one of the leaders in the region in pathology and diagnostics services, thus enhancing shareholders' value in the longer term.

**PROVIDING EXCELLENT CUSTOMER SERVICE**

A key achievement we are particularly proud of in 2018 is the Gold-Level Excellence in Person-Centred Care certification awarded to two of our hospitals from USA-based Planetree International, a non-profit organisation that assists healthcare providers around the world to transform healthcare delivery services. Adding to our achievement, the two certified hospitals, namely KPJ Ampang Puteri and KPJ Damansara, were also the first two hospitals in the Asia Pacific region to receive this prestigious certification.

The Planetree certification is noteworthy, aimed at providing enhanced service care levels at hospitals, going beyond being

patient centred, to being person centred. It prioritises the active participation of patients and their families throughout a healthcare process that emphasises partnership, compassion, transparency, inclusion and quality.

Having embarked on the project in 2013, the Group is immensely pleased to see the outcome of the dedicated and concerted efforts of our two hospitals on their three-year Planetree journey. We strongly believe that providing person centred care will form a unique differentiator for the KPJ brand in the healthcare sector, thus giving us a distinct advantage over our competitors.

Person centred care requires hospital and treatment processes, as well as the mind sets of the people involved in the provision of healthcare services, to focus on the person's needs. It is a holistic approach to healthcare provision which encapsulates the tagline of "What Concerns You".

## KPJ CONTINUED WITH OUR HOSPITAL NETWORK EXPANSION STRATEGY AND OPENED TWO NEW HOSPITALS IN PERLIS AND JOHOR BAHRU IN 2018.



*The launching of KPJ Selangor Specialist Hospital*

**THE DIVERSITY OF OUR EMPLOYEE BASE IS A KEY COMPONENT OF OUR SUCCESS AND IN 2018, WE EXPENDED CONSCIOUS EFFORTS TO RECRUIT MORE MALAYSIANS FROM DIFFERENT ETHNIC BACKGROUNDS TO REFLECT THE DIVERSITY OF THE MALAYSIAN POPULATION WHOSE HEALTHCARE NEEDS WE ARE SERVING.**

More importantly, this is the quality of healthcare service KPJ Hospitals are moving towards. We target to replicate the Planetree model Group-wide, and provide person centred care to drive the sustainable growth of our business. It may be an ambitious goal, but one we are committed to delivering on.

You can read more on Planetree at our hospitals in the Materiality Economic 6 : Certification, Accreditation and Standards section on pages 49 to 52 of our standalone Sustainability Report.

**A STRONG TALENT MANAGEMENT PLATFORM**

Throughout the years, KPJ has embedded a robust talent management platform, especially within the area of customer service. We believe in training our own people to impart their skills and knowledge to their peers and colleagues, instead of exclusively relying on external

trainers. This approach ensures consistency in our customer service levels, as internal trainers have a better grasp and understanding of our core vision, mission and values, and the inter-relation of these with our hospital environments and work processes.

Two key programmes which employ this approach are the KPJ Service Quality Coach Programme and the Service Quality Management (SQM) Mentoring Programme. Since inception, the KPJ Service Quality Coach Programme has produced a total of 60 dedicated Service Quality Coaches as at end 2018, who impart knowledge they receive from external trainers to their peers through regular training programmes. As for the SQM Mentoring Programme, we have a total of 17 certified mentors as at end 2018, who have graduated from a structured nine-day programme which equips

them with the right mind set, tools and techniques to conduct one-on-one mentoring and counselling sessions for their colleagues.

As a fresh take on talent management, in 2018 we aligned our leadership and upskilling programmes with those of our parent company, Johor Corporation (JCorp). This move has presented us with a sustainable pipeline of business leaders for the Group, which is crucial considering our hospital network expansion strategy.

Under the leadership programmes the Advanced JCorp Leadership Programme had eight participants, and the Basic Management Programme had two participants. As for upskilling programmes, our people participated in programmes under the auspices of the Malaysian Institute of Human Resource Management. These included courses for the Certification Human Resources Manager with eight participants, the Certification Training and Development Manager with two participants, and the Certification Human Resources Officer with 11 participants. Within



*KPJ Damansara and KPJ Ampang Puteri Specialist Hospitals became the first two hospitals in the Asia Pacific to be awarded the Gold Certification for Person-Centered Excellence by Planetree International*



## PRESIDENT &amp; MANAGING DIRECTOR'S REVIEW

the Group, 17 people took part in the KPJ Management Trainee Programme.

The diversity of our employee base is a key component of our success and in 2018, we expended conscious efforts to recruit more Malaysians from different ethnic backgrounds to reflect the diversity of the Malaysian population. As at end 2018, we have added 344 people from the Chinese ethnic background, 84 from the Indian ethnic background, and 56 from Bumiputera and other ethnic backgrounds from our recruitment drive.

### CAPTURING OPPORTUNITIES IN MEDICAL TECHNOLOGY (MEDTECH) INNOVATIONS

By 2024, it is estimated that the digital health market will grow exponentially, fuelled by innovations in Telehealth, Cloud Computing, Telemedicine, Wearables, and other transformative technologies, to exceed USD379 billion. It is therefore imperative for

KPJ to focus on the adoption of MedTech innovations, especially those which can enhance the provision of healthcare services to our patients, and improve their wellbeing.

In line with this, the Group embarked on the Digital Transformation Value Innovation Platform (VIP) Programme with the Malaysia Digital Economy Corporation (MDEC) in 2018. Known as the Rainmaking Project, it focuses on the digital vertical of Telemedicine through the DoctorOnCall.com.my initiative. We piloted the project at three hospitals, KPJ Damansara, KPJ Rawang and KPJ Tawakkal Health Centre in the area of remote patient monitoring and surveillance. DoctorOnCall and KPJ is working with specialists for the latter to provide online consultations in the areas of oncology, rheumatology, ophthalmology, gastroenterology, rehabilitation, dental and speech therapy. Although the pilot project is still in its early stages, we hope to report on positive outcomes in the near future.

### VENTURING INTO NEW NICHES

Venturing into new healthcare niches in response to healthcare trends is a crucial factor in keeping the Group ahead of the curve. During the year, KPJ continued to explore new niches in our quest to drive the continuous growth of the business.

We re-entered the retail pharmacy business with the launch of a JX Pharmacy outlet in 2018. This full-fledged retail pharmacy represents our reaffirmed commitment to expand the reach of our pharmacies, which were previously only under the umbrella of the KPJ Healthshoppe brand. At present, KPJ Healthshoppe has five retail outlets within our specialist hospitals, while our JX

Pharmacy located in Bandar Baru Bangi, Selangor. The brand JX Pharmacy is wholly owned by KPJ Healthshoppe, and part of our plans for its future is to expand into online pharmaceutical prescriptions.

Another new niche KPJ started exploring in 2018, and which we plan to materialise in the year ahead is Ambulatory Care Centres (ACC). ACCs present a cost efficient and capital light means by which we can expand our healthcare network without undertaking the expense of building a new hospital. The ACCs will provide medical care on an outpatient basis, including diagnosis, observation, consultation, treatment, intervention and rehabilitation services. Our ACCs will offer specialist day care services in smaller towns or suburbs where there is an identified gap in the healthcare market. Among the specialist services we intend to offer are eye surgeries, dental surgery, and Ear, Nose and Throat (ENT) services.

A key exercise we conducted in 2018 involved the merger between KPJ Sabah and KPJ Damai, in line with our hospital operations restructuring plan to achieve greater efficiencies and maximise the profitability of both hospitals. With effect from 1 June 2018, all operations at KPJ Damai were transferred to KPJ Sabah, and KPJ Damai has been rebranded as Damai Wellness and Care Centre, focused on offering niche healthcare services within the segments of Senior & Assisted Living Care, Confinement Care and Rehabilitation Services.



**LEVERAGING ON DIGITALISATION TO DRIVE EFFICIENCIES**

Like any other business entity, private hospitals need to focus on efficiencies, especially within the area of customer service. Since 2016, we have been utilising an online appointment and queue system for the convenience of patients. This online system allows for patients to make hospital appointments by going to individual hospital websites, and reserving dates and times which are convenient for them, as well as enabling them to change their appointment dates if they need to. As at end 2018, a total of 16 KPJ Hospitals are utilising this system.

Within the area of cybersecurity, we enhanced our IT infrastructure to better manage our IT services and safeguard our data security as well as the data privacy of our patients. In particular, we brought a second data centre online, thus ensuring we now have two data centres up and running at two separate locations, with both conducting real time backups. This is of critical importance for our smooth operations in the event of any potential disasters, as we will have up to date business critical information required to ensure that there are not any unnecessary time delays or information gaps.



**CONTINUOUS BUSINESS PROCESS IMPROVEMENT**

Towards ensuring continuous business process improvements, KPJ focused on the dynamics of setting up a centralised Business Support Service covering marketing, finance and human resource aspects in all our hospitals for the year ahead. We embarked on a Group-wide study to identify how we could centralise this function, and have prioritised functions and tasks related to payroll, financial and banking services. By centralising these functions, we can ensure that it is not duplicated, and thus reduce the administrative load of our staff on the ground and free up their time to focus their attention on our patients. This will have a transformative effect on the Group, both in terms of cost efficiency,

as well as changing the function and role of our people in hospitals, in alignment with our journey towards a person centred healthcare model.

**OUTLOOK**

As we move into the year ahead, we expect the Malaysian economy to continue to grow at a slow pace of 4.9%, while inflation is projected to increase from between 1.5% and 2.5% in 2018 to between 2.5% and 3.5% in 2019. The slower pace of growth, coupled with rising inflation may have an impact on both corporations provision of medical insurance for their employees, as well as consumers accessing private healthcare services, which cost more than public healthcare services.

## PRESIDENT &amp; MANAGING DIRECTOR'S REVIEW



Against this backdrop, KPJ remains focused on our forward moving strategy to create continuous growth for the Group and bring value to shareholders. Our plan to develop ACCs are firmly aligned with taking on board a more muted economy, where people seeking medical treatments will be exploring more cost conscious healthcare offerings. We also plan to continue with our hospital network expansions in locations where there is demand, and new hospital developments in greenfield areas, as part of our plan to maintain our leadership position. The Group has allocated more than RM2 billion towards upgrading and adding new hospital developments and ACCs throughout the country, with a target of 35 hospitals and 21 ACCs by 2023.

To ensure a sustainable pipeline of leadership talent to support the management of our expanded and enhanced healthcare network, we will be focusing on effective succession development planning. The Group's talent management strategies, which are aligned with ensuring that we are able to attract and retain the best people in the sector, will continue to focus on building, nurturing and sustaining a performance driven culture, in line with our business objectives. To remain as employer of choice, we aim to bring about a holistic employee experience, within a diverse, talented and engaged workforce, whilst embedding a culture of innovation Group-wide.

In tandem with Industry 4.0 digital transformations, our future focus will see us digitalising human resource, administrative, and transactional roles and functions to achieve efficiency and effectiveness to drive organisational change. As well as that, in an era where the Internet has changed the way businesses market themselves, KPJ will be employing greater focus on digital marketing efforts through social media, mobile apps and websites to expand our market reach.

We remain optimistic that our focused efforts in line with our strategy will keep us on track to achieve our goal of long-term sustainable growth for the business.

#### ACKNOWLEDGEMENTS

On behalf of the Management of KPJ, I would like to thank our Board of Directors, for continuing to steer us forward with our strategic objectives and goals whilst upholding the highest standards of governance, ethics and integrity. Their industry insights and wisdom are a central factor in the Group's ability to sustain our good performance.

To KPJ's more than 13,000 employees nationwide and more than 700 staff abroad, we are extremely grateful for their dedication and commitment to providing the highest quality of healthcare services, in line with our mission and vision. Our deepest appreciation also goes to our investors, partners, media and all stakeholders. As for the Government and healthcare regulators, we thank them for their sustained belief in the Group, and allowing us to contribute towards the healthcare and socioeconomic needs of the nation.

Most of all, thank you to our three million patients, for their continued faith in the KPJ brand. We reaffirm our commitment to continue to provide the best quality of healthcare services which places our patients at the heart of all we do.

**Dato' Amiruddin Abdul Satar**  
President & Managing Director  
KPJ Healthcare Berhad

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# CHIEF FINANCIAL OFFICER'S REVIEW



FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018, KPJ GROUP ACHIEVED STRONG FINANCIAL RESULTS WITH RECORD HIGH REVENUE SINCE INCEPTION. THE GROWTH IN REVENUE AND EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (EBITDA) WAS UNDERPINNED BY SOLID OVERALL PERFORMANCE.

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Our focus on improvements in operational efficiencies coupled with strict cost discipline resulted in a positive impact on costs, and diluted the effects of cost escalation. On the back of an increase in our patient base, along with the diversification of services offered within our healthcare facilities, we advanced with our financial value creation to provide our shareholders with valuable returns on their investment.

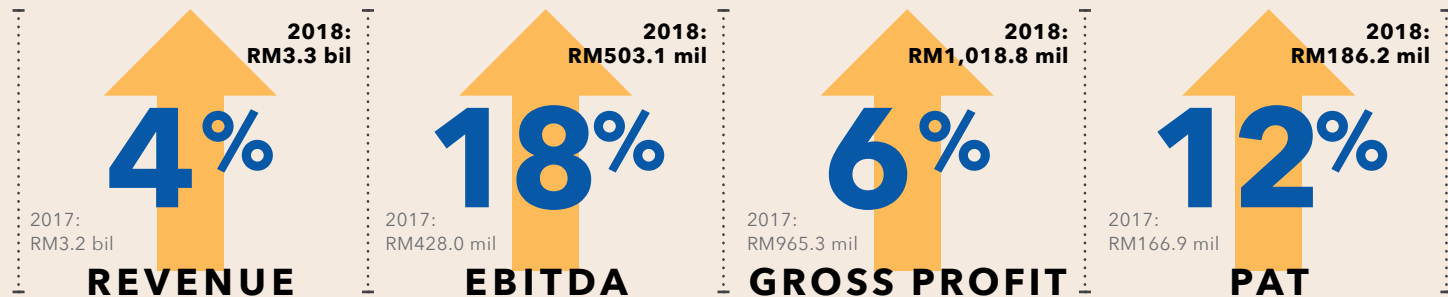


**NORHAIZAM MOHAMMAD** ACMA, CGMA

VICE PRESIDENT (II)  
GROUP FINANCE SERVICES

## CHIEF FINANCIAL OFFICER'S REVIEW

## KEY HIGHLIGHTS



## OUR FINANCIAL PERFORMANCE IN 2018

### Revenue

Our healthcare operations within Malaysia recorded significant increase in revenue by 4% to RM3.3 billion (2017: RM3.2 billion), mainly contributed by the increase in patient visits, the increase in our number of beds and the number of surgeries performed, particularly within KPJ Rawang, KPJ Pasir Gudang and KPJ Bandar Maharani. Extended promotions of medical tourism offerings to neighbouring countries as well as increased online promotions also contributed to a spike in our revenue. In 2018, we saw KPJ Perlis being added to our network of hospitals within Malaysia, making Malaysian segment accounted for 97% of the Group's total revenue.

On the other hand, our international operations and support services under the Other category underwent a challenging year with flat revenue growth. Stricter national regulations especially in Indonesia resulted to this.

### Other income

Within the category of Other Income, we registered an increase of RM3.1 million or 12%, to RM29.4 million, largely due to gain on fair value of investment properties of RM10.9 million (2017: RM2.3 million).

### Administrative expenses

In line with the increase in activities during the year, administrative expenses have also increased, mainly contributed by depreciation and employee benefits costs. However, management is happy to report that certain expenses within administrative expenses recorded a

reduction as compared to the prior year, largely contributed by the effective cost optimisation efforts in FY2018.

### EBITDA

With higher revenue arising from new hospitals within the Group and disciplined cost management effort, we saw our EBITDA increased by 18% to RM503.1 million (2017: RM428.0 million).

### Taxation

The amount of tax paid demonstrates the value of our contribution to the Government and communities at large.

Our approach to tax management includes the following:

- Respect for the law in each of the jurisdictions in which KPJ operates, complying with the legal obligations for tax, timely filing of tax returns with required disclosures and honoring its tax liabilities diligently.
- Conducting intragroup transactions on an arm's length basis and complying with obligations under transfer pricing rules in the jurisdictions where the Group operates. Transfer pricing reflects the commercial and economic substance of any related-party transactions, using a consistent approach within the Group.
- We seek to maintain a long-term, open and constructive relationship with tax authorities and the government.

Our tax commitment included corporate income tax, Goods Service Tax (GST), Sales and Service Tax (SST) and withholding taxes. Tax benefits arising from investment tax allowances (ITA) served as an encouragement for expansion and new developments, as

well as specific incentives given under the Health Tourism industry, where we worked closely with Malaysian Investment Development Authority (MIDA), Ministry of Health (MOH), Inland Revenue Board (IRB) and Malaysia Healthcare Travel Council (MHTC).

## OUR FINANCIAL POSITION AS AT 31 DEC 2018

### Total assets

Total assets grew by 13%, from RM4.2 billion to RM4.8 billion as at 31 December 2018 with higher value of property, plant and equipment (PPE) and cash and cash equivalents by RM224.4 million and RM339.7 million respectively.

The increase in PPE was mainly related to additional capital expenditures made on soon-to-be opened hospitals include KPJ BDC in Kuching and KPJ Miri in Miri, as well as a recently-opened hospital, KPJ Bandar Dato' Onn in Johor Bahru. The newly completed hospital building of KPJ Ampang Puteri also contributed to the increase in PPE value as at year end.

The increase in cash and cash equivalents were contributed by the proceeds received from partial disposal of our shareholdings in a subsidiary, Lablink (M) Sdn Bhd to KL Kappa Sdn Bhd during the year.

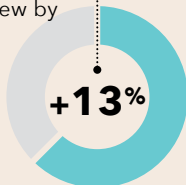
### Total liabilities

Total liabilities grew by 10% from RM2.4 billion to RM2.7 billion as at 31 December 2018. The increase was mainly due to RM200 million drawdown of Islamic Medium Term Notes to finance the construction of new hospitals as well as renovation and expansion plans for existing hospitals.

**KEY HIGHLIGHTS**

**Total assets**

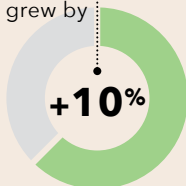
The Group's total assets grew by



**2018: RM4.8 billion**  
2017: RM4.2 billion

**Total liabilities**

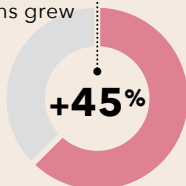
KPJ's total liabilities grew by



**2018: RM2.7 billion**  
2017: RM2.4 billion

**Cash flows**

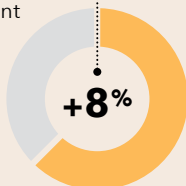
Cash flow from operations grew by



**2018: RM629.1 million**  
2017: RM432.7 million

**Cash flows**

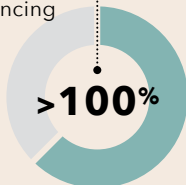
Cash used for investment activities



**2018: RM453.9 million**  
2017: RM419.4 million

**Cash flows**

Cash generated from financing activities



**2018: RM140.8 million**  
2017: (RM98.6) million

**Cash flows**

We closed the year with a healthy cash and cash equivalent balance of RM404.2 million, an increase of more than 100% from FY2017 with key outflow in tandem with investment on development of existing and new hospital buildings.

Cash flow from operations stood at RM629.1 million (2017: RM432.7 million) which we saw debtors and stocks turnover days improved from previous year by 8 days and 0.5 day respectively.

Cash used for investment activities was RM453.9 million (2017: RM419.4 million), an increase of 8% largely being utilised for capital expenditures of the hospital operation in Malaysia. The cash investment is testament of our continuous efforts to sustain our existing and growing revenue streams.

Cash generated from financing activities was RM140.8 million, as compared to cash utilised in 2017 of RM98.6 million, of which RM63.1 million (2017: RM90.4 million) was utilised to pay dividends to shareholders, RM91.1 million (2017: RM82.3 million) for the repayment of finance cost in relation to bank borrowings and RM128.3 million (2017: RM50.4 million) was net inflow from bank borrowings to finance expansion projects. In 2018, cash generated from the ESOS scheme and conversion of warrant raised a total of RM115.0 million (2017: RM24.8 million).

**CAPITAL MANAGEMENT**

The Group defines capital as total shareholders' fund and borrowings. The objective of the Group's capital management is to maintain strong credit ratings and healthy capital ratios in order to support our business, maximise shareholder's value and comply with our financial covenants.

We also remain vigilant in keeping our strong financial indicators, and maintaining our debt ratios within the headroom guidance of 0.82x Total Borrowings/Total Shareholders' Fund to preserve KPJ's investment-grade credit standing, as well as capacity to fund our expansion either through existing unutilised financing facilities or with new borrowings, if any.

With our sound financial position, we are in good stead to navigate the business through any opportunities and challenges that 2019 may bring, and beyond.

**DIVESTMENT OF AGED CARE OPERATIONS IN AUSTRALIA**

Following a strategic review of the business model, the Board of Directors, during the year 2017, had approved for the divestment of aged care operations in Australia by disposing its shares in Jeta Gardens (Qld) Pty Ltd (Jeta Gardens). The results of Jeta Gardens was disclosed as a discontinued operation and the relevant assets and liabilities were classified as being held for sale. The negotiations with potential buyer are still undergoing, and the transactions are expected to be completed this year.

**RETURNS TO SHAREHOLDERS**

The Group's practice is to pay a progressive dividend that takes into account underlying earnings and available funding, while retaining sufficient capital to fund operations and ongoing projects, as well as manage gearing at acceptable levels.

We endeavour to achieve a good balance at all times between cash requirements for our business and dividend payout to shareholders. Due consideration is also given to ensure our dividend payout ratio is within benchmark of our industry peers and sustaining dividend payments for the future.

Dividends will be paid only if approved by the Board out of funds available for such distribution. The actual amount and timing of the payments will depend upon our level of cash balances, retained earnings and other expected obligations as our Board deems appropriate.

The Group has been consistently dedicated in rewarding our shareholders with quarterly dividend payout of between 45% to 50% of net profit. For 2018, the Company declared dividends of 2.0 sen per ordinary share.

**GOING FORWARD**

As we move into the new financial year, we will continue to scrutinise our operational and financial performance, to sustain a high standard of delivery to all our stakeholders. We are committed to making the best use of the resources available to our Group to deliver quality healthcare services and sustain our leadership as the preferred healthcare provider.

**Norhaizam Mohammad**  
Vice President (II)  
Group Finance Services

# GROUP QUARTERLY PERFORMANCE

2018 (RM'000)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year End 2018
<b>Continuing operations</b>					
Revenue	822,883	801,329	820,560	863,345	3,308,117
Gross profit	250,773	242,716	255,447	269,835	1,018,771
Operating profit	70,802	73,963	75,347	85,791	305,903
Finance costs - net	(19,247)	(19,343)	(19,761)	(22,711)	(81,062)
Share of results of associates, net of tax	9,331	6,799	7,352	18,188	41,670
Profit before zakat and tax	60,886	61,419	62,938	81,268	266,511
Zakat	(1,075)	(1,589)	(1,049)	(217)	(3,930)
Tax	(14,805)	(14,837)	(20,136)	(22,873)	(72,651)
Profit for the financial year from continuing operations	45,006	44,993	41,753	58,178	189,930
<b>Discontinued operation</b>					
Profit/(loss) for the financial year from discontinued operation	480	(417)	(666)	(3,142)	(3,745)
<b>Net profit for the financial year</b>	<b>45,486</b>	<b>44,576</b>	<b>41,087</b>	<b>55,036</b>	<b>186,185</b>
Net profit for the financial year attributable to:					
Owners of the Company	42,482	42,337	41,301	53,324	179,444
Non-controlling interests	3,004	2,239	(214)	1,712	6,714
	<b>45,486</b>	<b>44,576</b>	<b>41,087</b>	<b>55,036</b>	<b>186,185</b>
Basic EPS (sen)	0.97	0.96	0.95	1.24	4.12

2017 (RM'000)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year End 2017
<b>Continuing operations</b>					
Revenue	779,238	778,599	788,433	833,728	3,179,998
Gross profit	235,279	233,159	229,294	267,613	965,345
Operating profit	69,680	55,889	54,873	79,657	260,099
Finance costs - net	(18,497)	(15,556)	(13,615)	(18,645)	(66,313)
Share of results of associates, net of tax	6,589	7,178	9,682	16,091	39,540
Profit before zakat and tax	57,772	47,511	50,940	77,103	233,326
Zakat	(400)	(1,811)	(726)	(973)	(3,910)
Tax	(14,173)	(12,280)	(16,542)	(13,125)	(56,120)
Profit for the financial year from continuing operations	43,199	33,420	33,672	63,005	173,296
<b>Discontinued operation</b>					
Profit/(loss) for the financial year from discontinued operation	(3,143)	(1,968)	(583)	(692)	(6,386)
<b>Net profit for the financial year</b>	<b>40,056</b>	<b>31,452</b>	<b>33,089</b>	<b>62,313</b>	<b>166,910</b>
Net profit for the financial year attributable to:					
Owners of the Company	38,272	32,165	30,554	60,923	161,914
Non-controlling interests	1,784	(713)	2,535	1,390	4,996
	<b>40,056</b>	<b>31,452</b>	<b>33,089</b>	<b>62,313</b>	<b>166,910</b>
Basic EPS (sen)	0.90	0.71	0.70	1.39	3.70

# STATEMENT OF VALUE ADDED

## VALUE DISTRIBUTION

The value that KPJ Healthcare Berhad creates for its stakeholders can either be in the form of financial return or in non financial or intangible forms.

The Statement of Value Added illustrates how KPJ Healthcare Berhad's performance supports the Group's ability to deliver financial value to its stakeholders.

The financial value in the statement is based on the profit before finance costs, community investment expenses, zakat and tax, depreciation, impairment & amortisation and staff costs.

	2018 RM'000	2017 RM'000
Revenue	3,308,117	3,179,998
Purchase of goods and services	(2,128,103)	(2,108,672)
Value added by the Group	1,180,014	1,071,326
Other income	29,371	26,271
Finance income	8,570	13,637
Finance costs	(89,632)	(79,950)
Share of results of associates	41,670	39,540
<b>Value added available for distribution</b>	<b>1,169,993</b>	<b>1,070,824</b>
<b>Distribution</b>		
To Employees:	737,919	693,659
To Government/Approved agencies:	76,581	60,030
To Shareholders:		
Dividend	84,681	74,676
Non-controlling interest	8,351	7,742
Community investment	13,244	10,035
Retained for re-investment	165,563	143,839
Retained for future growth	83,654	80,843
<b>Total distribution</b>	<b>1,169,993</b>	<b>1,070,824</b>
Value added per employee (RM'000)	86	80
Wealth created per employee (RM'000)	85	80
Value added per share (RM)	0.27	0.25
Wealth created per share (RM)	0.27	0.25



# OPERATIONAL REVIEW

IN 2018, KPJ DELIVERED ROBUST PERFORMANCE AS A RESULT OF SUSTAINED FOCUS ON OUR SEVEN STRATEGIC THRUSTS TO CREATE VALUE FOR OUR SHAREHOLDERS AND STAKEHOLDERS FOR THE SHORT, MEDIUM AND LONG-TERM.



Our resilient business model which is founded on strong fundamentals and value added propositions, has enabled the Group to retain our market position as the leading healthcare provider in Malaysia, whilst driving through our vision of being The Preferred Healthcare Provider. KPJ's strong healthcare value proposition and relentless focus on providing the highest quality of patient centric healthcare services have been crucial factors in the Group's continued success within our regional footprint of Indonesia, Bangladesh, Thailand and Australia.

Information on our healthcare value ecosystem can be found within the About KPJ section on pages 10 to 12 of this IR. For an overview of how we created value using our six capitals in 2018, please refer to our Value Creation Model in the How We Create Value section on pages 14 to 27 of this IR. Our activities within our different business segments for the year were conducted with the intent of driving through our seven strategic thrusts. Details of our strategic thrusts can be found within the Group Strategy section on pages 28 to 29 of this IR. Further information on all sustainability related developments within the Economic, Environmental and Social materiality are in our standalone Sustainability Report.

## HOSPITAL NETWORK DEVELOPMENT

In 2018, we sustained our focus on the development of new hospitals to expand our market presence, as well as retrofitting and expanding our existing hospitals to cater to greater market demand. This approach ensures that we remains ahead of the curve in capturing opportunities within the private healthcare sector in Malaysia, leveraging on our brand recognition and high quality of medical treatments and services rendered.

KPJ added two new hospitals to our healthcare network with the opening of KPJ Perlis in Kangar and KPJ Bandar Dato' Onn in Johor Bahru bringing our total number of hospitals in Malaysia to 26 from 25 the previous year. This was due to the merger conducted between KPJ Sabah and KPJ Damai during the year.

We conducted a merging exercise between KPJ Sabah and KPJ Damai during the year, in line with our hospital operations restructuring plan to achieve greater efficiencies and maximise profitability of both hospitals. Following the merger, operations at KPJ Damai were transferred to KPJ Sabah with effect from 1 June 2018. Post-merger, KPJ Sabah is now operating with 103 beds, 40 resident consultants and 445 staff. With the merger, KPJ Damai's brand name was changed to Damai Wellness Centre, in line with venturing into new niche segment of Senior & Assisted Living Care, Confinement Care and Rehabilitation Services.

We expanded capacities in terms of bed numbers at five hospitals namely KPJ Johor, KPJ Klang, KPJ Bandar Maharani, KPJ Pasir Gudang Specialist and KPJ Ampang Puteri to cater for more demand within these areas.

Moving into 2019, we plan to launch four new hospitals currently under development, namely KPJ Batu Pahat, KPJ Kluang Utama, KPJ Miri and KPJ Kuching, with further hospital developments slated for 2020 and beyond.

KEY HIGHLIGHTS



NEW HOSPITALS

- **KPJ Perlis:** 21 beds, 6 services, 9 specialist consultants
- **KPJ Bandar Dato' Onn, Johor Bahru:** 30 beds, 9 services, 9 specialist consultants



EXPANDING EXISTING HOSPITALS

- KPJ Johor:  
**increased 40 beds**
- KPJ Klang:  
**increased 12 beds**
- KPJ Bandar Maharani:  
**increased 7 beds**
- KPJ Ampang Puteri:  
**increased 8 beds**
- KPJ Pasir Gudang:  
**increased 15 beds**

SEGMENTAL ANALYSIS

CLINICAL OPERATIONS

Performance Highlights 2018

- Total bed capacity of 3,107
- Inpatients of 299,780
- Outpatients of 2,541,822
- Average bed occupancy of 65.2%
- 93,573 surgeries conducted
- 10,465 infant deliveries



Adding to our Group's capacities, we expanded healthcare services at the following hospitals:

- Launched a comprehensive radiotherapy and oncology centre at KPJ Sabah.
- Expanded dialysis services by 6 chairs at KPJ Pasir Gudang.
- Started One-Stop Eye Clinic at KPJ SibU.
- Offered orthopaedic care at KPJ Perdana.
- New oncology centre and new clinics at KPJ Johor.
- Geriatric psychiatrist and general psychiatrist service at KPJ Tawakkal Health Centre.



In order to enhance our customers and patients experience of our healthcare offerings, we conducted the following activities within our network of hospitals:

- Launched new special packages within different healthcare segments.
- Collaborated with corporates to offer special discounts.
- Collaborated with corporate clients and insurance agents to hold regular medical health talks with insurance agent and policy holders.
- To expand our corporate client base, we set up a one stop centre providing alternative options for the community to seek rehabilitation treatment locally in East Malaysia. In 2018, a total of 1,257 cases were registered.
- Commenced with renovation of outpatient and inpatient lobby at KPJ Johor to give it a facelift, as well as offered premier parking and concierge services and conducted patient education in diagnostic imaging.
- Collaborated with Grab Car to provide transport services at KPJ SibU and KPJ Kuching.
- Enhanced digital marketing efforts through social media platforms.

In Corporate Client Management, we achieved the following in 2018:

- Embarked on an online portal for outpatient specialist guarantee letters (GL) and e-billing, to increase the efficiency of the admission workflow process, thus ensuring greater customer satisfaction. Online portals were initiated for Medkad Sdn Bhd and Healthmetrics at all KPJ hospitals.
- Collaborated with Prudential Assurance Malaysia Berhad (PAMB) on the Hospital Alliance Services (HAS) portal with an Electronic Pre-Authorisation Form (E-PAF), which is a web-based system designed with functions to assist doctors with the HAS processes. Since its inception, all front liners and doctors have been using the e-form to request pre-authorisation letters from PAMB. In 2018, total of 23 KPJ hospitals have been using the portal.

## OPERATIONAL REVIEW

## CLINICAL OPERATIONS



- With the launch of KPJ Perlis in 2018, we focused on building up a panel of major corporate clients for our new healthcare facility, and brought on board clients from the healthcare insurance sector and Managed Care Organisations (MCO).
- Formalised business relationships through Hospital Service Agreements between major corporate clients and KPJ Perlis.
- Launched the KPJ Baby Programme in our network of hospitals with the aim of increasing the number of deliveries and postnatal services, thus indirectly contributing to growing patient numbers at KPJ hospitals. The programme extends special benefits and privileges to all new-born babies and mothers nationwide upon registering with our KPJ Care Card. As at December 2018, 304 applications have been generated through this programme.
- Made our hospitals more baby friendly by creating a conducive environment for breast feeding new-borns. This is in tandem with Ministry of Health (MOH) campaigns promoting exclusive breastfeeding for new-borns till they are six months old, as well as growing trends amongst mothers to offer their children breast milk as a healthier alternative to formula milk. By engaging with our corporate clients on this programme, we can leverage on existing partnerships and strengthen our business relationships, as well as seek out new corporate customers.
- To remain on course with continuous improvements for our corporate clients, we developed a corporate clients' feedback survey to measure corporate clients' level of customer satisfaction towards our services. The implementation of the survey will commence in the first quarter of 2019.



- Utilising 3D printing for orthopaedics surgery and Oral and Maxillofacial surgeries.
- Utilising IBM Watson for Oncology to facilitate faster comparative decision making for cancer treatment options.
- Introduced 3D laparoscopic surgery at KPJ Kuching.



- We introduced new niche segment offerings at Damai Wellness Centre following its merger and rebranding with the provision of after birth Confinement Services. A total of 9 bookings with deposits were received for the period of January till May 2019.
- The Group expanded KPJ Sentosa's offerings with the following niche services:
  - Mobile Healthcare
  - Home Nursing in Post Operative and External Confinement Homes
  - Extended physiotherapy services to standalone Physio Centres, Private Nursing Homes and Sports Centre
- At KPJ Selangor, we extended rehabilitation services to sports injuries and a stroke centre.
- Developed new Acute Stroke Service to begin in KPJ hospitals in the Klang Valley within two subservices, namely the use of medical thrombolysis for acute embolic stroke; and mechanical thrombectomy using interventional measures for lesions that cannot be medically thrombolysed.



To ensure we have in place talented medical personnel who are able to provide the highest quality of healthcare services, we conducted a recruitment drive and hired new consultants. A total of 54 new resident consultants joined KPJ in 2018 from various specialities such as Anaesthesiology and Critical Care, Cardiothoracic, Clinical Oncology, Clinical Radiology, Internal Medicine, ENT, O&G, Orthopaedic, Prosthodontics, and Paediatric.

CLINICAL OPERATIONS



We enhanced our credit management process during the year with cash collection initiatives, and streamlined billing submission via e-billing to improve debtor turnover.

Cash Outstanding Improvement

- Close monitoring of outstanding amount on daily and weekly basis.
- Standard monitoring and reporting format has been introduced to enhance the efficiency and consistency in reporting.
- Key indicators include Cash Outstanding Report, excess and non-cover report, declined report, refund report, unallocated deposit and receipt report.
- Monthly report is tabled to Operational Committee by respective hospitals, and action plans and corrective measures are deliberated for further improvement.
- As at December 2018, total cash on outstanding cases dropped tremendously by between 46% and 47% compared to the same period in 2017.

Credit sale

- Commenced online billing through web-based e-billing.

- This initiative integrates with major insurance companies and MCO for a web-based e-billing submission process where the patient's bill can be uploaded and downloaded.
- Streamlined and expedited the existing bills submission and collection processes.
- As at December 2018, Group net DTO day reduced by 13% from 46 days to 40 days.

Cost containment

- Continuous efforts to reduce operating overhead cost and admin expenses.
- Embarked on energy saving programme to reduce printing and paper cost via digitisation. This included digitisation of marketing, e-report and an Internal Portal System for communications.
- Embarked on SQM Internal Online inter-department system.
- Sustained ongoing system implementations for Q Radar, BMS, PACS and SYShelp.
- Managed efficient equipment cost through central negotiations by Group's Biomedical division.



- Sustained efforts to enhance shareholders' value through continuous improvements in our healthcare delivery system and quality of services for better clinical outcomes with full compliance towards Corporate and Clinical Governance.
- KPJ Tawakkal Health Centre achieved Dental Accreditation Certification by MSQH in December 2018, the first Dental Centre to do so.

OUTLOOK

- Develop Centres of Excellence in Neurology and Stroke Management, orthopaedic, gastroenterology, radiology, oncology and cardiology.
- Develop satellite hospitals.
- Expand ambulatory care, home services and house calls.
- Explore partnerships with public hospitals offering procedure packaging.
- Continuously introduce new technologies and procedures at par with international standards such as the Remote Healthcare Diagnostic and Monitoring Application Platform in collaboration with JCORP Digital SmartCare.
- Within corporate client management, to provide a unified client database, allowing for document control on clients common to hospitals within the KPJ Group and allow for multi-hospital programmes to be executed for large clients. The CCM division also plans to continue training programmes for the marketing personnel based at hospitals to ensure they are equipped with the best practices in client management.

## OPERATIONAL REVIEW

## HOME NURSING/ASSISTED LIVING CARE/KPJ WELLNESS AND LIFESTYLE

## Performance Highlights 2018

### Sibu Geriatric Health and Nursing Centre

- Revenue of RM0.9 million
- PAT of RM0.1 million

- Kuantan Wellness Centre recorded revenue of RM2.1 million in 2018
- Launched Damai Wellness Centre in 2018, with 52% occupancy as at end 2018



### Damai Wellness Centre

- Launched Senior & Assisted Living Care (SALC) Services at Damai Wellness Centre with 21 beds. As at December 2018, average occupancy stood at 52%. A total of 39 residents have utilised the service with a mix of short to long-term stays.
- The provision of SALC services focuses on providing support for patients who are not bedridden, while also providing rehabilitation services for patients from other public and private hospitals in Sabah.



- Rebranded Senior Living Care as Senior & Assisted Living Care in line with changing lifestyle expectations and trends.

### Damai Wellness Centre

- Landscaped gardens for SALC at Damai Wellness Centre.
- Conducted activities with residents such as playing cards, making crafts, gardening and taichi exercises.

### Sibu Geriatric Health and Nursing Centre

- Focused on initiatives aimed at improving client satisfaction and comfort during their admission via the following measures:
  - Improved room facilities
  - Organised more activities amongst residents
  - Organised spiritual prayer sessions as requested by family members

### Kuantan Wellness Centre

- Kuantan Wellness Centre commenced with ALC services for the aged in February 2018 and recorded revenue of RM2.1 million as at December 2018.
  - Currently operating with 20 beds
  - Occupancy as at December 2018 is 57%
  - New wing ready to be open with additional 14 beds
  - At full operations, it will house 33 beds, to be launched in stages depending on demand

### KPJ Tawakkal Health Centre

- Conducted partnership with vendor to introduce mindfulness training and coaching in the Mindful Wellbeing programme "Mindfulness Training and Coaching" to encourage lifestyle changes, relieve stress of the disease, manage pain and help prevent problems from recurring through understanding the root causes of the problems.



### Damai Wellness Centre

- Renovated wards to provide After Birth Care Services (ABC) services.



### Jeta Gardens (Australia)

- Following a strategic review of the business model, in 2017 the Board of Directors had approved the divestment of aged care operations in Australia by disposing its shares in Jeta Gardens (Qld) Pty Ltd (Jeta Gardens). The results of Jeta Gardens was disclosed as a discontinued operation and the relevant assets and liabilities were classified as being held for sale in 2018. The negotiations with potential buyers are still undergoing, and the transactions are expected to be completed during the second half of 2019.

## OUTLOOK

With the main objective to strategise the development and implementation of Integrated Aged Care and Senior Living Healthcare Business as a major core business of Johor Corporation by collaborating with our parent company as follows:

- To create an ecosystem in Senior & Assisted Living Business by establishing clear platform and path with the KPJ Senior & Assisted Living Care Committee.
- To identify the right business model by appointing an independent consultant to conduct a market assessment for senior living care.
- To develop a comprehensive Senior & Assisted Living Healthcare corporate and business plan for the Group.
- To review Senior Living Healthcare Business and Project Feasibility.
- To identify and engage with potential internal and external stakeholders as business partners.

### Damai Wellness Centre

- To expand provision of services to Wellness Services.
- To provide a medi-lodge which is a hostel for outstation patients seeking treatment.

### Sibu Geriatric Health and Nursing Centre

- To focus on expanding marketing presence in the vicinity of Sibu, Sarawak, as well as looking into renting or acquiring a new location for future expansions.

### KPJ Tawakkal Health Centre

- To reward existing subscribers with enhanced loyalty programmes and greater engagement.
- To attract new subscribers from new business demographics and corporate collaborations.
- To establish a new package system based on business framework to ensure strategic positioning, market relevance and financial growth.

EYE CARE SERVICES (KPJ CENTRE FOR SIGHT (CFS))

**Performance Highlights 2018**

- Growth in patient numbers by 5%
- 7% revenue growth
- 13% increase in surgeries statistics



- The first in KPJ Group to set up a complete Advanced Dry Eye Service that applies new therapies utilising laser to help alleviate the signs and symptoms of dry eye disease and, consequently.



- CFS continued to actively promoting Lasik surgeries via roadshows at popular shopping malls such as IOI City Mall, Empire Subang, Avenue K and Melawati Mall.
- We also participated in thematic expos such as Beauty Health, education, wedding fairs and investment conventions that drew in specific customer segments.
- All these activities resulted in an increase of 20% of customers that signed up for lasik services compared to the previous year.
- Had roadshows with optometrists and care counsellors who directly engaged with customers as a more effective means to influence customers' behaviour in deciding to do ReLEx® (Refractive Lenticule Extraction) SMILE (Small Incision Lenticule Extraction), a new eye surgery introduced during the year.



- Introduced the latest eye surgery techniques to treat short-sightedness with ReLEx® (Refractive Lenticule Extraction) SMILE (Small Incision Lenticule Extraction). This surgery technique is particularly useful for those with very high prescriptions, dry eyes, contact lens intolerance, and/or thinner corneas, with or without astigmatism. The treatment is only available in a few laser eye surgery centres in Malaysia. ReLEx SMILE is a minimally invasive surgery which enables patients get all the benefits of LASIK - a flapless form of laser eye surgery, with faster, safer and gentle approach, rapid healing and very little discomfort compared to conventional LASIK.



- Expanded into Advanced Dry Eye Service at KPJ Tawakkal Health Centre focusing on clinical benefits of E-Eye treatment using Intense-Regulated-Pulsed-Light (IRPL) therapy. This therapy is a new and ground breaking technology for the treatment of dry-eye disease that is caused by Meibomian gland dysfunction (MGD) a leading cause of cause of evaporative dry eye disease. The Dry Eye treatment set comprises a diagnostic tool to identify the right dry eye symptoms, and is treated by using medical devices known as Blephex and E-Eye. These clinical procedures are non-invasive treatment, therefore making it painless, safe and quick. Studies have shown that there is sustained improvement of the patient's dry eye symptoms that may last up to 3 years.



- As responsible eye care professionals we believe in creating public awareness on the importance of managing Dry Eye Disease (DED), to help improve the quality of life of dry eye patients. In line with this, on 19 December 2018, we introduced the Advanced Dry Eye Service at KPJ Tawakkal Health Centre in conjunction with World Eyesight Day.

**OUTLOOK**

- To double the number of Lasik roadshows at shopping malls, and extend to commercial centres and boutique malls, by appointing an external event management team to handle and run the event.
- Establish telemarketing toll free call number to draw in patients.
- Increase social media engagements platforms.
- Enhance the role of optometrists as allied health professionals who promote eye health through corporate talks and personal counselling.
- Appoint celebrity spokesperson to be a social media influencer of Lasik.
- Expansion of facility to become an Ambulatory Care Centre (ACC).

## OPERATIONAL REVIEW

## REHABILITATIVE TREATMENTS

## Performance Highlights 2018

- Physiotherapy and rehabilitative treatments increased by 10.9% to 842,400 treatments



- Damai Wellness Centre expanded into rehabilitation treatments.



- KPJ Tawakkal Health Centre refurbished activity room to promote transitional living apartments for stroke patients. The Rehabilitation Independent Living Unit (Rilu) was completed in September 2018.



- Conducted remote patient monitoring and surveillance by embarking on Rainmaking project under MDEC's Value Innovation Platform (VIP) programme. This was implemented via DoctorOnCall.com.my at KPJ Damansara, KPJ Rawang and KPJ Tawakkal Health Centre focusing on oncology, rheumatology, ophthalmology, gastroenterology, rehabilitation, dental and speech therapy.



- Damai Wellness has been appointed as the panel to provide physiotherapy rehabilitation services to PERKESO as part of the Return to Work (RTW) programme. The contract between Damai Wellness and PERKESO is for a three year period from 17 May 2018 to 16 May 2021. Services offered are exercise therapy, stroke rehabilitation and chest physiotherapy.

### OUTLOOK

- Damai Wellness Centre to explore extension of services for PERKESO by providing hostel facilities.
- Within our network of hospitals, to expand scope of healthcare services to rehabilitation treatments.

STERILISATION OF SURGICAL INSTRUMENTS (STERILE SERVICES SDN BHD (SSSB))

**Performance Highlights 2018**

- Revenue of RM4.1 million
- Gross Profit of RM2.6 million
- EBITDA increased from RM0.1 million to RM0.9 million



- Increased participation from public hospitals through a long-term contract with their integrated facilities management company such as Radicare and Medivest.



- Enhanced relationships with all KPJ Klang Valley Hospitals in order to get at least 80% of their surgical instruments to be sent to SSSB.
- Expanded services to 2 medical centres .
- Provide customised services like washing or packing of surgical instrument.
- Expanded ad-hoc services to a total of 9 non-KPJ hospitals.



- Installation of CCTV within the entire building area for safety purposes.
- Monitored staff performance as part of service quality improvement initiative.



- Standardised surgical instruments among KPJ Klang Valley hospitals, with standardised sets rotated to all Klang Valley hospitals in order to resolve the issue of unavailable surgical sets when required by surgeons.
- Purchased instruments from Pakistan and India in order to resolve the issue of a lack of back up instruments at KPJ Klang Valley hospitals.
- Cost saving initiatives to target positive EBITDA in 2018.

**OUTLOOK**

- Exploring factory needs for any services that can be provided such as washing or packing especially to manufacturers in the healthcare industry.
- Targeting new customers in East Malaysia.



## OPERATIONAL REVIEW

## PATHOLOGY AND DIAGNOSTIC (LABLINK (M) SDN BHD)

## Performance Highlights 2018

- Revenue growth of 8% to RM87.7 million
- EBITDA of RM18.6 million
- Test volumes increased by 5% to 17 million



- Formalised joint venture between Lablink (M) Sdn Bhd with Quadria Capital to sustain long-term strategic growth plan in the region.



- Managed KPJ's hospital network and external non-KPJ hospitals with a total of 25 hospital laboratories, referral testing with external general practitioners' clinics, governments and university hospitals across Malaysia.
- Introduced 175 new tests in 2018, bringing total tests to 3,289.



- Lablink Laboratory Information System (LIS) facilitates seamless online viewing of results which allows timely reference and retrieval by doctors for their diagnosis and treatment of patients.



- Equipped with state of the art laboratory, skilled and well-trained manpower and qualified pathologists, Lablink has established multi-disciplined subspecialty laboratory testing in BSL 3 Tuberculosis Reference Laboratory (Mycobacteria culture, identification and sensitivity), Molecular Diagnostics, Autoimmunity & Allergy, Microbiology (aerobes & anaerobes), Mycology, Parasitology, Histopathology, Cytopathology and Integrated Diagnostics Laboratory testing.



- Consolidated and centralised KPJ hospital networks' laboratory services to make tests affordable and standardised systems and methods, towards cost efficient purchasing, efficient comparison of results among the laboratories.

### OUTLOOK

- To continue medical education and clinical correlation of results to improve and aid patient diagnosis and treatment outcomes.
- To promote quality excellence in laboratory testing and professional practice through quality standards.
- To obtain medical laboratory accreditation requirements for quality and competency: ISO 15189, CAP, JCI.
- To leverage on existing hospital laboratory management capabilities while continuing to explore and build partnerships with non-KPJ private secondary hospitals.
- Continuously scan the environment and explore inorganic growth opportunities, and seek market penetration in Southeast Asia.
- To expand laboratory testing menu.

WHOLESALE DISTRIBUTOR OF PHARMACEUTICAL PRODUCTS (PHARMASERV ALLIANCES)

## Performance Highlights 2018

- Revenue increased by 1% to RM423.4 million
- Net profit increased by 10% to RM2.3million



- Embarked into registration of medical devices and appointed as sole agent.



- Conducted training plan to strengthen staff morale, motivation and competencies.
- Total of 80 employees.
- Conducted activities organised by the management, Kelab Sukan dan Rekreasi (KSR) and Mutiara for employees.



- Focused on inventory efficiency by enhancing Purchase Order system to improve efficiency of stock management and order fulfilment. The Purchase Order module was enhanced, with full implementation of barcode scanning at warehouse, SST module, and improvement of reporting for data analysis.
- Continuous improvement at warehouse and logistic functions by practising Lean warehousing as a way to gain competitive advantage and bring value-added to customer. As a result, we obtained the Gold recognition for the Lean Management Certificate.
- Improved overall supply chain efficiency and maintained QMS.



- KPIs are visible to all employees and we communicate the status of our operations' performance on a timely basis.

### OUTLOOK

#### Business Process Improvement

- Improve the Procurement Strategy by focusing on efficiency of system, internal process and working with suppliers to combat frequently out of stock incidents, and measure and improve procurement and supplier performance.
- Obtain cost savings from Tender Exercise and Contract Negotiations for patients.
- Offer competitive pricing by working with suppliers and negotiate competitive prices on products and services, thus helping to lower costs for patients.
- Improve supply chain efficiency and deliver the best products at the best value and facilitation of communities of knowledge among healthcare providers and supply chain experts to share best practices.

#### To Embed Innovation

- Focus on data analysis and benchmarking, with the aim of following best practices adopted by competitors.
- Conduct pricing and market research.
- Compliance with regulations requires cost and is time consuming. Therefore, we will be expanding into new products and registering medical devices as a competitive advantage.

## OPERATIONAL REVIEW

## RETAIL PHARMACIES (KPJ HEALTHSHOPPE SDN BHD)

## Performance Highlights 2018

- Revenue of RM1.4 million
- More than 100% revenue growth



- KPJ Healthshoppe (KPJHS) now has 5 retail outlets located in:
  - KPJ Selangor
  - KPJ Damansara
  - KPJ Pahang
  - KPJ Tawakkal
  - KPJ Johor
- One new JX Pharmacy outlet launched in 2018 at Bandar Baru Bangi.



- To enhance customer offerings, KPJ Healthshoppe conducted the following activities:
  - Offered comprehensive product segmentations except for scheduled medicines.
  - Strategised its visibilities by revamping the existing PharmaCare Healthshoppe outlets into a new Scandinavian design with a fresh and welcoming ambience that differs from the existing retail pharmacies in the market.



- Embarked upon a multi-channel shopping strategy that leverages on the brick-and-mortar outlet with an interactive online website [www.kpjshoppe.com](http://www.kpjshoppe.com) which has been publicly accessible since December 2017. This is the platform for the future electronic prescribing for the Group.



- Launched JX Pharmacy as a new brand for a full fledge retail pharmacy. J represents Johor while X represents, prescription, exclusivity, and the X factor reflecting JX Pharmacy extraordinary commitment towards customers. JX Pharmacy is wholly owned by KPJ Healthshoppe Sdn Bhd.
- With the emergence of planned shopping centers and commercial areas that offers various retail formats, we selected a strategic location for JX Pharmacy as one of the critical decisions to be made. Among factors to be considered are connectivity, demographics, proximity to hospital and security. The first JX Pharmacy was opened Street Mall, Bandar Baru Bangi, nearby Bangi Gateway, An-Nur Specialist hospital and Lagenda Hotel.
- To enhance our competitiveness in the retail pharmacy industry and product categories, we focused on value differentiation in diversifying product offerings into exclusivity, research-based organic and vegan products on top of the standard OTC and supplementary products.
- Knowing the importance of having a digital presence and search engine optimisation in order to be relevant in today's business arena, we established content management and digital marketing strategies that include sponsored promotional campaigns in Facebook and Instagram, video platform and social media influencers to build initial and continuous momentum in generating traffic to the site which will eventually reflect in increased revenue.



- The new KPJHS structure has a faster and more effective administration and decision making capacities.
- Fundamental operational activities are monitored and coordinated centrally.

### OUTLOOK

- To sustain efforts focusing on current strategic intents to drive growth.
- Aim to have 20 outlets at strategic locations in major cities throughout Malaysia by 2023.

**PHARMACEUTICALS (TERAJU FARMA SDN BHD)**

- Revenue increased by 2% to RM72.7 million.
- Engaged the market by working closely with principals or product owners and dealing directly with downstream users to expand our customer base to ensure consistent, sustainable earnings growth and strong cash flow.
- Increased product segmentation and customer base.
- Gross profits reduced by 3% to RM 3.8 million in 2018, from RM 4.0 million in 2017 as a result of lower selling prices for products. This was primarily due to the competitive pressures resulting from the rapid changes in technology and introduction of substitute products during the year.
- Profit before zakat and tax (PBZT) decreased in 2018 by 11%, primarily due to lower selling prices and increased cost in operating segments.

**OUTLOOK**

- To continue to identify and pursue growth opportunities that includes skill development and retention, expansion into related business activities and strategic alliances with business partners.

**STATIONERY AND PRINTING MATERIALS (SKOP YAKIN SDN BHD)**

- Expanded into event planning and management services to expand its range beyond the Group to other third party clients.
- Continued to provide KPJ Group with cost-effective supplies of stationery and printing materials for marketing and promotional collaterals and hospital and office administrative documents.

**OUTLOOK**

- To boost revenue by aggressively seeking third party clients, as well as clients for event planning and management.

## OPERATIONAL REVIEW

## HEALTHCARE ENGINEERING SERVICES (PRIDE OUTLET SDN BHD)

- 22 corporate clients and hospitals with contracts valued at RM0.9 million.
- 6,867 planned preventive maintenance (PPM) activities in 2018 increased by 42% from last year.
- 7 engineers with 35 testers and analysers.
- Purchased new testers tools and analysers to improve PPM scheduling efficiency.
- Engaged external survey house to further understand clients requirements and expectations on third party maintenance company requirements.
- Distributed performance questionnaires to clients and evaluate responses towards improvements in service.
- Embarked on plans to perform maintenance and repair on high-ended biomedical equipment. This includes maintenance of endoscopy equipment and ultrasound.
- Identified gaps in skills amongst staff and sent them for skills enhancements training.
- Enrolled engineers with technical skills training to enhance specific skills currently lacking in the organisation.
- Advocated for Good Distribution Practice of Medical Devices. This is to improve the company's operational practices in compliance with Malaysian Medical Device Authority standards.

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**OUTLOOK**

- Introduce new biomed and radiology products to the Malaysian market.
- To issue and evaluate customer survey questionnaire to monitor service quality.
- Employ marketing staff to gather market intelligence and prepare aggressive marketing plan.

## HOSPITAL CATERING (TOTAL MEAL SOLUTION (TMS))

- Revenue of RM10.0 million and net profit of RM0.3 million.
- 7 internal outlets and 1 external outlet.
- 910,311 meals served with 2,247 catering functions.
- 3 licenced outlets in Klang, Seremban and Pusrawi.
- Achieved 100% meals served within 1 hour.
- Moved to a new central kitchen to increase business capacities.
- Achieved customer satisfaction index of 80%.
- Achieved target of creating two new nutritious menus with TMS standard per year.
- Utilised IT system and facilities to reduce operation cost MDM (patient ordering) and FMH (purchasing ordering).
- Developed a strategic plan to expand market TMS in nutritious meal.
- 99% of TMS staff received trainings and skill development programmes.
- Achieved target an average training hours of 30 hours per employee.
- Secured reasonably priced and good quality of raw materials.
- Three TMS - TMS Klang, TMS Seremban and TMS Pusrawi certified halal by JAKIM.

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**OUTLOOK**

- To extend facilities towards achieving full capacity.
- Introduce new and niche services via upgrading of technology to provide online services and delivery services.
- To enhance employees capabilities through improved training and development programmes.
- To ensure high levels of SQM through focused measures.

### HOSPITAL LAUNDRY SERVICES (FABRICARE SDN BHD)

- Revenue increase by 17% to RM4.8 million from the previous year.
- Focused on laundry segment and secured service contracts with exclusive restaurant in Johor Bahru.
- Hiring strategies employment of youth in their 20's.
- CBW system will increase our knowledge and efficiency in laundry management through access of production data in real-time.
- Long term plans include diversification of business.

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#### **OUTLOOK**

- Exploring opportunities to set up a Special Project Vehicle (SPV) company for laundry and linen services for government and specialist hospitals in South Johor.
- Focused strategy to increase our market share for hotel customers.
- To become a leading hospital's laundry operator in Johor by 2025.
- Enhance processes laundry operations.
- To apply state-of-the-art equipment to increase production efficiency by 30%.

## OPERATIONAL REVIEW

## KPJ UNIVERSITY COLLEGE

## Performance Highlights 2018

- Revenue of RM40.3 million
- Profit before zakat and tax of RM0.2 million
- 2,051 total students
- 32 total programmes



- Relocation of KPJIC Johor Bahru campus to the new premises in Bandar Dato Onn to compliment Malaysian College of Hospitality and Management and to maximise the usage of the building.



- Engaging potential clients, parents and students through social media, where more interactions and info can be delivered effectively.
- KPJUC Alumni was re-established to create networking opportunities among our 10,000 alumni throughout the country.



- Blended learning modules were developed to assist teaching and learning to be more interactive and online based to cater to full-time as well as part-time working professionals.
- KPJUC has embarked on Learning Management System (LMS) - an online based database for teaching and learning portal for students and lecturers to share and exchanges notes, assignments or homework, as well as tests. This eases communication with Millennials as well as saving paper utilisation.



- KPJUC currently conducts four specialty Master programmes, which differentiates it from other private education competitors. It is the only IPTS approved to conduct these programmes.
- In 2018, KPJUC obtained approval to run the Medical Specialty Training Programme in Internal Medicine, whereby the Medical Officer will sit for the MRCP examination. This is also the first time the programme is offered on a structured basis.
- New Post Basic Nursing programmes are also in the pipeline. These include Post Basic in Infection Control and Post Basic in Trauma.



- As part of the SETARA requirement, KPJUC needs to increase the number of lecturers' qualifications by sending them to higher education programmes such as Masters and PhD. A number of staff have been sponsored for further studies for PhD and Masters as well as post basic programmes.
- Staff are encouraged to attend internal and external training as part of improving quality of services and increasing staff motivation.



- To attract more students, KPJUC diversified the fully accredited Bachelor programmes from full-time to part-time mode. Two programmes obtained approval to be offered on a part-time basis, namely the Bachelor of Medical Imaging and Bachelor of Nursing. Both will be offered in 2019.

### OUTLOOK

- To focus on producing more specialists.
- Targeted recruitment drive for international students.
- To renovate facilities to cater to new programmes intakes.
- Introduce new programmes in high demand.
- Expand Continuous Professional Development trainings for external clients.
- Achieve good ratings on SETARA and MyQuest.
- Embark on aggressive marketing campaigns for new programmes introduced.
- Exploring potential partnerships and collaborations for bridging programmes and funding.

MEDICAL TOURISM

**Performance Highlights 2018**

- 158,711 health tourists
- Revenue of RM140.5 million



- KPJ opened 3 new Health Tourism Info Centres in Dhaka Bangladesh, Batam Kumpulan Riau and Palembang Sumatera.
- Group launched info centre in Dhaka, Bangladesh.



- Introduced 5 competitively priced packages namely:
  - Health Screening with free hotel and transport
  - Total Knee Replacement and Total Hip Replacement
  - Bariatric surgery
  - CT Angio
  - Lasik surgery
- Established 6 health tourism friendly hospitals where there was one dedicated staff to manage health tourists, namely at KPJ Selangor, KPJ Seremban, KPJ Klang, KPJ Rawang, KPJ Sentosa and KPJ Tawakkal Health Centre.



- Offering healthcare services which feature technology advancements.



- The Group expanded Health Tourism market to other countries namely Vietnam and Brunei.
- Launch of KPJ Perlis has expanded market reach targeting health tourists from Langkawi Island in Malaysia and Thailand.



- Trained staff to be dedicated health tourism managers for 6 KPJ hospitals.

**OUTLOOK**

- Expand market reach by opening more info centres in first and second tier cities in Indonesia, Somalia, Brunei, United Arab Emirates, Oman and Vietnam.
- Conduct corporate collaborations with Takaful Africa, Daman Insurance, banks and corporates in Indonesia, Government Ministries in Bangladesh, and local and international associations and communities.
- Leverage on social media influencers of Malaysian and Indonesian celebrities for marketing purposes.
- Introduce mobile app to drive health tourism reach.
- Targeted advertisement campaigns utilising airlines.



## OPERATIONAL REVIEW

## INTERNATIONAL OPERATIONS

## INDONESIA

Performance  
Highlights  
2018**RS MEDIKA BSD (RSMBSD)**

- 2,993 inpatients
- 67,924 outpatients
- Gross Revenue of IDR75.5 million

**RS MEDIKA PERMATA HIJAU (RSMPH)**

- Gross Revenue of IDR75.6 billion as at year end
- Inpatient growth of 19.8%
- Outpatient growth of 9.5%
- Bed occupancy of 55%

**RSMBSD**

- Added more specialists to the hospital, especially within the sub-specialties of Vascular Surgeon, Nephrologist, Neuro Surgeon and Neurologist.
- Increased operating beds from 56 to 72 beds, including 4 ICU beds.

**RSMPH**

- Started construction on a new block to provide a new outpatient clinic area and expanding support services.
- Added more type C hospitals as partners for BPJS referral purposes.

**RSMBSD**

- Built up KPJ brand name in Indonesia.
- Focus on adding prominent corporate and insurance companies in the panel such as Inhealth Mandiri and YANKESGA, and build up rapport with insurance agents and companies that has already collaborated with RSMBSD.
- Played a more active role in activities with insurance and corporate clients.
- Created a more visible presence in social media and the internet via active FB and Instagram accounts and collaboration with active online health providers - Halodoc and Alodokter.
- Dedicated its ward at Level 3 for BPJS patients only with 34 operating beds. This ward has a total capacity of 70 beds that can be utilised in future.
- The ward at Level 4 is dedicated for insurance / corporate and cash-paying patients only.

**RSMPH**

- Embarked on customer engagement activities such as the introduction of Halodoc, a service to dispatch medication to customers' premises at no extra charge to reduce their waiting time.

**RSMPH**

- Invested a total of IDR1.3 million in medical equipment such as surgical power tools, anaesthetic machine, second OT table, instruments for TURP, Ultrasound Therapy, Electric Stimulator, Biometry and Spirometry, to enhance services.

**RSMPH**

- Focused on high margin cases such as orthopaedics, ophthalmology, dialysis and physiotherapy services through investments in equipment and offerings additional treatments and procedures.
- Appointed a medic acupuncture specialist to offer new range of treatments to capture opportunities in acupuncture services.
- Embarked on offering cardiothoracic services and cathlab services.
- Began providing installing equipment towards providing cardiac catheterization services in 2019.

**RSMPH**

- The provision of service in outpatient clinics still continues to be one of our challenges as most of our doctors are on a part time basis and there are times where services are unavailable. Therefore, we worked on getting more doctors on board and appointed 14 consultants working on a part-time basis in 2018, enabling us to offer extra hours for outpatient services.
- 80% of our staff attended training during the year.



INDONESIA



**RSMBS**

The facility recorded a 17% reduction in sales and patients for 2018, mainly due to the following factors:

- BPJS tiered-referral system was fully enforced starting 2018, whereby patients have to seek treatment at first level health facilities such as government clinics and GP clinics before they can be referred to a hospital.
- BPJS also enforced the “system rujuk balik” whereby patients treated at hospitals have to be referred back to the clinics referring them for follow-ups. The same patient can be referred back to the hospital after 3 months of the first referral.
- Most outpatients are not covered by insurance, hence patients will convert to BPJS scheme for their follow-up visits.

**RSMPS**

- Achieved 3 star ratings to maintain accreditation status.
- During the year, we recorded a decline in the insurance, corporate and cash paying segments, due to an increase in BPJS and the shifting of payments from insurance to the BPJS scheme. Therefore, our marketing division continued engagements with insurance and corporate segments through introduction of packages and also acceptance of joint benefits with BPJS.
- Obtained more referrals from BPJS through agreements with new referrals centre, which led to an increase in outpatients and inpatients of 25% and 94% respectively.

**OUTLOOK**

**RSMBS**

To enhance our capacity and service offerings, we will be focused on the following:

- Recruit more Specialists to increase clinic utilisation and service availability within the areas of General / Digestive Surgeon, O&G, Urologist, Orthopaedic Surgeon, Gastroenterologist, Cardiologist, Cardiothoracic Surgeon and Oncology Surgeon.
- Increase capacity of Dialysis Services by an additional 7 machines.
- Upgrading MRI machine to enable more comprehensive investigations to be done for Neurology, Cardiology and Vascular and intervention radiology.
- To set up Chemotherapy Service with Oncology Surgeon.
- To start Cardiothoracic Surgery Service with a Cardiothoracic Surgeon on board.

In order to expand our client base and increase revenue, we will focus on the following:

- Finalise arrangement with Inhealth Mandiri and Yayasan Kesehatan Garuda (YANKESGA).
- Continue to build rapport with insurance agents and insurance companies to promote specialists and hospital services.
- Collaborate with other hospitals and healthcare facilities to get referrals for insurance and BPJS cases.
- Continue with efforts to promote the KPJ brand, doctors and hospital services through public and private seminars, visibility in social media and collaboration with mass media.

**RSMPS**

- To continue with the strategic plan pertaining to hiring consultants to fill the gap in clinic hours.
- To start offering cardiac catheterization services.
- To obtain 20 new dialysis patients in 2019.
- To expand physio services in the first quarter 2019.
- To explore the possibility of providing chemo services for lung cancer through working arrangements with other hospitals.
- Finalisation of agreement with RS Patria (Type C hospital) in Jakarta Barat to obtain more BPJS references.

## OPERATIONAL REVIEW

## BANGLADESH

**Performance  
Highlights  
2018**

- 43% increase in inpatients to 4,257
- 21% increase in outpatients to 110,567
- Revenue of BDT 313.6 million



- As at December 2018, the hospital had 50 operating beds, with an occupancy rate of 74%.
- The healthy increase in inpatients and outpatients were mainly due to an increase in the number of consultants, as well as greater number of activities conducted at the hospital.
- We expanded capacities by bringing in a total of 13 new resident consultants joined in 2018, bringing the total number of consultants 31, from 24 the previous year.

**OUTLOOK**

- To continue with expanding capacities by hiring new consultants.

## THAILAND

**Performance  
Highlights  
2018**

- 6.4% increase in inpatients to 9,255
- 6.0% increase in outpatients to 309,049
- Gross Revenue of THB 2.5 billion
- Net profit of THB 200.1 million



- Expanded hospital capacities by increasing number of operating beds to 193.
- Registered an occupancy rate as at 31 December 2018 of 44%.

**OUTLOOK**

- To continue to expand hospital capacities and ensure operational efficiencies.

PROCESS IMPROVEMENTS IN 2018

KPJ INFORMATION TECHNOLOGY SERVICES

**Performance Highlights 2018**

- HITS2 and KCIS2 at 7 hospitals



Information and Communication Technology (ICT) continues to evolve in the Industry 4.0 Evolution focusing on several project initiatives as follows:

- Migrate into Cloud Computing by installing Hospital Information System with the core applications of HITS2 (Financial) and KCIS2 (Clinical).
- Despite the challenge of trying to try to achieve integration 26 hospitals in 2018, we benefited from a learning curve where we changed from native to cloud computing applications for the platform to be ready for integration between KPJ hospitals to improve services engagement between Management, Care Providers and Customers (Patients).



- HITS2 and KCIS2 remains as more secured applications to protect patients' medical data whilst extending more efficient services to patients. Hence, migrating cloud computing require an improved and centralised managed private cloud services to reduce system downtime to lesser than one hour to have better engagement when doctors and nurses who are using the core applications to serve patients.
- Enabled further value creation of services through payment kiosks to improve payment using credit card facilities as faster turnaround in waiting time to improve patient experience.
- Big Data Analytics and Artificial Intelligence will help achieve a more in-depth understanding of our patients needs, and improve on hospital settings and performance for better quality of care.



- By moving into cloud and cloud computing, enabled the platform as shared services in compiling medical data to initiate Big Data Analytics and improve the use of Artificial Intelligence as the next move.



- Explored Industry 4.0 innovations such as wearable technologies utilising IoT, and expanded the pilot project to several other hospitals for early detection and warning capabilities.



Standardised processes and policies as follows:

- Procurement - standardised purchase order format and authorisation limit
- Review of supplier selection criteria and processes
- User Access Matrix - reviewed and standardised for integrated system HITS2 and KCIS2
- Inventory Management - reviewed and standardised unit of measurement and charging unit, deactivate unutilised old or non-standard codes from the system
- Standard coding system - reduced leakages



- Corporate Information Technology Services is part of KPJ's success story to achieve ISO 9001 to comply with quality and governance to ensure standardisation and best practice in the entire KPJ Group of hospitals and companies.
- Corporate IT Services continued to prepare for ISO 27001 to ensure Cybersecurity and Data Protection compliance to reduce Cyber Security and IT risks, with a target to achieve ISO 27001 certification in 2019.
- Centralised monitoring system and behavioural analytics to identify unknown intrusion and cyber-attack internal and external and establish internal control policy to ensure there are proper actions to be carried out when there are emergency situations.

## OPERATIONAL REVIEW

**KPJ INFORMATION TECHNOLOGY SERVICES****OUTLOOK**

To further build our capacities:

- Continue with implementation of HITS2 and KCIS2 Cloud Computing Group-wide
- Managed Private Cloud
- ISO 9001 and ISO 27001
- KPJHQ, Hospitals and Companies Assets Hygiene
- Cyber Security Risk Points
- Assessment and Check Point

For enhanced customer relationship management:

- HITS2 and KCIS2
- Customer Relationship Management (CRM)
- Internet of Things (IoT)
- Electronic Master Data Management (Initial Assessment)

Mesiniaga Berhad has been engaged to conduct a security risk assessment on our IT infrastructure. Their findings and recommendations will be reviewed and implemented in 2019.

To continue exploring new MedTech and Industry 4.0 technology applications in the healthcare sector via:

- Artificial Intelligence
- Telemedicine
- Wearable Devices (IoT)



ACCREDITATIONS, QUALITY ASSURANCE AND CERTIFICATIONS

**Performance Highlights 2018**

Type of accreditation	Number of hospitals
JCI	4
MSQH	19
Medical Clinic (KWAN)	8
MSQH - Dental Clinic	1
Planetree	2
IMS	21
BFHI	14



- KPJ’s hospital network continued monitoring and renewing current certifications for Quality Management System namely, Joint Commissioning International (JCI), Malaysia Society in Quality Healthcare (MSQH), Integrated Management System (IMS) - ISO 9001, ISO 14001 and OHSAS 18001, Baby Friendly Hospital Initiatives (BFHI) and Quality Environment/5S.



- Conducted Planetree certification process focusing on patient centred care to upgrade certification level. KPJ Ampang and KPJ Damansara have been certified with the Gold Level Excellence in Person-Centred Care from Planetree International, USA. Both hospitals were the first to receive this award in Malaysia and Asia Pacific.



- KPJ Dental the first dental facility in Malaysia to receive MSQH accreditation.
- Lablink Medical Laboratory has been certified by the Department of Standards Malaysia with ISO 15189:2012.



- KPJ Group has been certified for ISO 9001:2015 by TUV Rheinland. A quality management system certified according to ISO 9001 defines who is responsible for which quality-relevant activities and which procedures must be followed. The standard requires a control loop, which requires constant internal re-evaluation of the system that promotes a continuous improvement process (CIP). This ensures that quality orientation is lived by each of our employees on a daily basis.



- KPJ Seremban was awarded 1 star for the Energy Management Gold Standard under ASEAN Energy Management Scheme (EMGS AEMAS).
- KPJ Sabah was awarded with the Accredited Quit Smoking Service location by the Ministry of Health, Malaysia.

**OUTLOOK**

- Continuously monitoring and reviewing current Quality Management System certifications to ensure our compliance.
- Based on reviews, to identify new measures and initiatives to ensure we are constantly upgrading and improving our hospital networks to obtain new and credible international and local certifications and accreditations which will add to the Group’s brand value.

# WHO GOVERNS US

## DATO' KAMARUZZAMAN BIN ABU KASSIM

CHAIRMAN,  
NON-INDEPENDENT  
NON-EXECUTIVE DIRECTOR



2018 TOTAL  
MEETINGS ATTENDED

5/5



DATE OF APPOINTMENT:

12 January 2011

AGE:

55

GENDER:

Male

NATIONALITY:

Malaysian

**Length of Service  
(as at 28 February 2019):**  
8 years 1 month

**Duration of  
Previous Appointment as  
Non-Independent  
Non-Executive Director:**  
1 August 2006 - 1 January 2009  
(2 years 5 months)

**Date of Last Re-election:**  
19 May 2016

**Academic/Professional  
Qualification/Membership(s):**

- Bachelor of Commerce (Accountancy), University of Wollongong, New South Wales, Australia

**Present Directorship(s):**

**Listed Entity:**

- E. A. Technique (M) Berhad
- Damansara REIT Managers Sdn Berhad, the manager for 2 listed funds : Al-'Aqar Healthcare REIT and Al-Salām Real Estate Investment Trust

**Other Public Companies:**

- Kulim (Malaysia) Berhad
- Johor Land Berhad
- Waqaf An-Nur Corporation Berhad
- QSR Brands (M) Holdings Berhad

**Present Appointment(s):**

**Johor Corporation**

- President & Chief Executive

**KPJ Healthcare Berhad**

- Chairman of Nomination & Remuneration Committee
- Chairman of ESOS Committee

**Other Appointment(s):**

**Malaysian Sailing Association**

- President

**Johor Sailing Association**

- President

**National Sports Council (MSN)**

- Board Member
- Disciplinary Committee Member

**Johor Clay Target Shooting Association**

- Patron

**Johor Football Association**

- Vice President II

**Malaysian-American Commission on Educational Exchange (MACEE)**

- Administrative Board Member

**International Institute of Public Policy & Management (INPUMA), University of Malaya**

- Professor of Adjunct

**Past Directorship(s) and/or Appointment(s):**

**Johor Corporation**

- Senior Vice President, Corporate Services & Finance (2009-2010)
- Chief Operating Officer (2006-2009)

# DATO' AMIRUDDIN BIN ABDUL SATAR

PRESIDENT AND  
MANAGING DIRECTOR



2018 TOTAL  
MEETINGS ATTENDED

5/5



DATE OF APPOINTMENT:

1 January 2013

AGE:

55

GENDER:

Male

NATIONALITY:

Malaysian

**Length of Service  
(as at 28 February 2019):**

6 years 1 month

**Duration of  
Previous Appointment as  
Executive Director:**

1 July 2011 - 31 December 2012  
(1 year 6 months)

**Date of Last Re-election:**

20 April 2017

**Academic/Professional  
Qualification/Membership(s):**

- Member of Association of Chartered Certified Accountants
- Master of Business Administration, Henley Business School, University of Reading, UK

**Present Directorship(s):**

**Listed Entity:**

- Damansara REIT Managers Sdn Berhad, the manager for 2 listed funds : Al-Aqar Healthcare REIT and Al-Salam Real Estate Investment Trust

**Other Public Companies:**

- Nil

**Present Appointment(s):**

**KPJ Healthcare Berhad**

- Chairman of:
  - Ampang Puteri Specialist Hospital Sdn Bhd
  - Rawang Specialist Hospital Sdn Bhd
  - SMC Healthcare Sdn Bhd
  - Johor Specialist Hospital Sdn Bhd

- Ipoh Specialist Hospital Sdn Bhd
- KPJ Healthcare University College Sdn Bhd
- KPJ Education (M) Sdn Bhd
- Lablink (M) Sdn Bhd
- Selangor Specialist Hospital Sdn Bhd
- Tawakal Holdings Sdn Bhd
- Deputy Chairman of:-
  - Kedah Medical Centre Sdn Bhd
- Member of Medical Advisory Committee

**Association of Private  
Hospitals of Malaysia (APHM)**

- Vice President

**Association of Chartered  
Certified Accountants**

- Member of Malaysia Advisory Committee

**Past Directorship(s) and/or  
Appointment(s):**

**KPJ Healthcare Berhad**

- Chief Operating Officer (2010-2012)



## WHO GOVERNS US

AMINUDIN  
BIN DAWAMEXECUTIVE  
DIRECTOR2018 TOTAL  
MEETINGS ATTENDED

5/5



## DATE OF APPOINTMENT:

1 May 2015

## AGE:

55

## GENDER:

Male

## NATIONALITY:

Malaysian

**Length of Service  
(as at 28 February 2019):**  
3 years 10 months

**Duration of Previous  
Appointment as Non  
Independent Non-Executive  
Director:**  
1 January 2014 - 30 April 2015  
(1 year 4 months)

**Date of Last Re-election:**  
20 April 2017

**Academic/Professional  
Qualification/Membership(s):**

- Master of Business Administration, Sam Houston State University, Huntsville, Texas, USA

- Bachelor of Business Administration (Finance) from Sam Houston State University, Huntsville, Texas, USA
- Post-Graduate Diploma in Health Sciences & Hospital Management at South Bank University, London, UK

**Present Directorship(s):****Listed Entity:**

- Nil

**Other Public Companies:**

- Nil

**Present Appointment(s):****Johor Corporation**

- Chairman of Audit & Risk Management Committee (Industrial Development Division)
- Member of Group Investment Committee

**KPJ Healthcare Berhad**

- Chairman of Tender Evaluation Committee
- Chairman of:-
  - Pasir Gudang Specialist Hospital Sdn Bhd
  - Maharani Specialist Hospital Sdn Bhd
  - Perdana Specialist Hospital Sdn Bhd
  - Kluang Utama Specialist Hospital Sdn Bhd
  - Bandar Dato' Onn Specialist Hospital Sdn Bhd
  - Massive Hybrid Sdn Bhd (KPJ Melaka)
  - Fabricare Laundry Sdn Bhd
  - Advanced Healthcare Solutions Sdn Bhd
  - UTM KPJ Specialist Hospital Sdn Bhd
  - KPJ Healthshoppe Sdn Bhd
  - KPJ Medik TV Sdn Bhd
  - Skop Yakin (M) Sdn Bhd

**Past Directorship(s) and/or  
Appointment(s):****Johor Corporation**

- Senior Vice President, Business Development Division (2013-2016)
- Executive & EXCO Secretary (1988-1991)

**Pantai Holding Berhad**

- Chief Operating Officer (2011-2013)

**KPJ Healthcare Berhad**

- Group General Manager (2004-2011)
- General Manager (1998-2011)
- Manager (1991-1997)

# JASIMAH BINTI HASSAN

EXECUTIVE  
DIRECTOR



2018 TOTAL  
MEETINGS ATTENDED

3/5



DATE OF APPOINTMENT:  
24 April 2018

AGE:  
58

GENDER:  
Female

NATIONALITY:  
Malaysian

**Length of Service  
(as at 28 February 2019):**  
10 months

**Academic/Professional  
Qualification/Membership(s):**

- Master of Business Administration (Finance), North Texas University, Texas, USA
- Bachelor of Science in Mathematics, Indiana University Bloomington, Indiana, USA
- Honorary Treasurer for the Asian Society for Quality in Health (ASQUA)
- Board Member of the Association of Private Hospital Malaysia (APHM)

**Present Directorship(s):**

**Listed Entity:**

Nil

**Other Public Companies:**

Nil

**Present Appointment(s):**

- KPJ Healthcare Berhad**
- Member of Risk & Sustainability Committee
  - Member of Medical Advisory Committee

**Past Directorship(s) and/or  
Appointment(s):**

- Nil

**Awards/Recognition/Past  
experience:**

- KPJ Healthcare Berhad**
- Vice President (1), Business Operations, Clinical and Technology Services (2017-2018)
  - Vice President (1), Business Operations, Quality & Clinical Services (2013-2017)

**Hospitals and Support  
Companies at KPJ Healthcare  
Berhad**

- Managing various hospitals and companies in the KPJ Healthcare Berhad Group as Executive Director, Director, Deputy Chairman (1997-present)

**KPJ Tawakkal Specialist  
Hospital**

- Hospital Administrator (1993-1996)

**Joined the banking industry  
upon graduation (1986 -  
1993)**

## WHO GOVERNS US

TAN SRI DATIN PADUKA  
SITI SA'DIAH BINTI  
SH BAKIRINDEPENDENT  
NON-EXECUTIVE DIRECTOR2018 TOTAL  
MEETINGS ATTENDED

5/5



DATE OF APPOINTMENT:

1 May 2015

AGE:

66

GENDER:

Female

NATIONALITY:

Malaysian

**Length of Service  
(as at 28 February 2019):**  
3 years 10 months**Duration of  
Previous Appointment as  
Non-Independent  
Non-Executive Director:**  
1 January 2013-1 May 2015  
(2 years 4 months)**Date of Last Re-election:**  
23 April 2018**Academic/Professional  
Qualification/Membership(s):**

- Master of Business Administration, Henley Business School, University of Reading, UK
- Bachelor in Economics, University Malaya

**Present Directorship(s):****Listed Entity:**

- CCM Duopharma Biotech Berhad (Chairman)

- Nationwide Holdings Berhad (Chairman)
- OSK Holding Berhad
- Lotte Chemical Titan Holdings Berhad

**Other Public Companies:**

- Awqaf Holdings Berhad (Chairman)

**Present Appointment(s):****KPJ Healthcare Berhad**

- Chairman of Building & Tender Board Committee

- Member of Nomination & Remuneration Committee
- Member of ESOS Committee

**KPJ Healthcare University College**

- Chancellor

**Razak School of Government (RSOG)**

- Member of Leadership Development Committee

**Universiti Teknologi Malaysia (UTM)**

- Pro-Chancellor

**Past Directorship(s) and/or Appointment(s):****Bursa Malaysia**

- Independent Non-Executive Director (2004-2012)

**Chemical Company Malaysia Berhad**

- Independent Non-Executive Director (2014-2017)

**Kulim Malaysia Berhad**

- Independent Non-Executive Director (2005-2016)

**KFC Holdings Berhad**

- Independent Non-Executive Director (2010-2013)

**KPJ Healthcare Berhad**

- Corporate Advisor (2013-2014)
- Managing Director (1993-2012)
- Chief Executive (1989-1993)

**MATRADE**

- Board Member (1999-2010)

**Universiti Utara Malaysia**

- Chairman (2016-2018)

**KPJ Healthcare University College**

- Chairman and Pro-Chancellor (2011-2018)

**MSQH**

- President (1998-2018)

**Awards / Recognition / Past experience:**

- CEO of The Year 2009, News Straits Times Press and the American Express
- Launched biography "Siti Sa'diah: Driven by Vision, Mission and Passion" penned by Rokiah Talib, Penerbitan Universiti Kebangsaan Malaysia
- Honorary Doctor of Letters from University of Reading, UK

## ZULKIFLI BIN IBRAHIM

NON-INDEPENDENT  
NON-EXECUTIVE DIRECTOR



2018 TOTAL  
MEETINGS ATTENDED

5/5



DATE OF APPOINTMENT:

1 January 2014

AGE:

61

GENDER:

Male

NATIONALITY:

Malaysian

**Length of Service  
(as at 28 February 2019):**

5 years 2 months

**Date of Last Re-election:**

20 April 2017

**Academic/Professional  
Qualification/Membership(s):**

- Fellow of the Association of Certified Chartered Accountants, UK

**Present Directorship(s):**

**Listed Entity:**

Nil

**Other Public Companies:**

- Kulim (Malaysia) Berhad
- Johor Land Berhad
- QSR Brands (M) Holding Berhad

**Present Appointment(s):**

**Johor Corporation**

- Senior Vice President/ Chief Executive, Industrial Development Division of Johor Corporation
- Member of Group Top Management (Teraju)
- Deputy Chairman of Teraju Korporat Committee

**KPJ Healthcare Berhad**

- Member of Building & Tender Board Committee

**TPM Technopark Sdn Bhd**

- Managing Director

**Past Directorship(s) and/or  
Appointment(s):**

**Kulim (Malaysia) Berhad**

- Chief Operating Officer (2003-2012)

**PJB Pacific Capital Group**

- Chief Operating Officer (2001-2003) Director (2014-2017)

**Antara Steel Mills Sdn Bhd**

- Managing Director (1996-2000)

**Sindora Berhad**

- Financial Controller (1990-1996)

## WHO GOVERNS US

# PROF DATO' DR. AZIZI BIN HAJI OMAR

INDEPENDENT  
NON-EXECUTIVE DIRECTOR



## 2018 TOTAL MEETINGS ATTENDED

4/5



## DATE OF APPOINTMENT:

1 February 2016

## AGE:

70

## GENDER:

Male

## NATIONALITY:

Malaysian

### Length of Service (as at 28 February 2019):

3 years 1 month

### Date of Last Re-election:

23 April 2018

### Academic/Professional Qualification/Membership(s):

- Bachelor of Medicine and Bachelor of Surgery (MBBS), University of Tasmania, Australia
- Postgraduate training in Paediatrics and Paediatric Respiratory Medicine
  - Hospital Kuala Lumpur / Universiti Kebangsaan Malaysia
  - Hospital for Sick Children, Great Ormond Street, London
  - Birmingham Children Hospital
  - Dudley Road Hospital, Birmingham
- Trained in paediatric flexible bronchoscopy
  - University of North Carolina (Chapel Hill, USA)
- Membership of the Royal Colleges of Physicians of the United Kingdom
- MMedSc (Clinical Epidemiology) from Newcastle University, NSW
- Fellow of Royal College of Physicians (FRCP) of Edinburgh and Glasgow, Fellow of Academy of Medicine

Malaysia (FAMM) and Fellow of College of Chest Physicians (USA) (FCCP)

- Harvard Medical School Certificate-SEA Healthcare Leadership One Year Program

### Present Directorship(s):

#### Listed Entity:

Nil

#### Other Public Companies:

Nil

### Present Appointment(s):

- KPJ Healthcare Berhad**
  - Member of Audit Committee, Risk and Sustainability Committee, Building & Tender Board Committee
  - Head of KPJ Research and Quality Innovation Committee and editor of KPJ Medical Journal
  - Member of Medical Advisory Committee
  - Consultant Paediatrician and Paediatric Respiratory Physician, KPJ Damansara Specialist Hospital
- KPJ Healthcare University College Sdn Bhd (KPJUC)**
  - Member, Board of Directors
  - Professor and member of Senate

### Past Directorship(s) and/or Appointment(s):

#### National

- Chairman, Subspecialty Committee for Accreditation, Paediatric Respiratory Medicine, National Specialist Register (2000 - 2016)
- Member, Malaysian Medical Council (1995 - 1997)
- President, Malaysian Paediatric Association (1997 - 1998)
- Board Member, APHM & Association of Private Hospital (2000 - 2004)
- Member, Conjoint Board for Postgraduate Training in Medical Specialties (1995 - 1997)
- Member, Paediatric Conjoint Board (1995 - 2000)
- Member, Clinical Practice Guidelines Committee, Academy of Medicine of Malaysia
- Chairman, Clinical Practice Guidelines on Paediatric Asthma (1996)
- Chairman, Clinical Practice Guidelines on Paediatric Respiratory Infections (2000)
- Member, Clinical Practice Guidelines on Tuberculosis (1996)
- Member, Committee of Malaysian Thoracic Society of Malaysia (1997 - 1998)

- Editorial Board Member, Malaysian Paediatric Journal, Malaysia (1990)
- Universiti Kebangsaan Malaysia (UKM)**
  - Deputy Dean (1995 - 1997)
  - Head of Department of Paediatrics (1994 - 1995)
  - Professor of Paediatrics (Respiratory Paediatrics and Clinical Epidemiology) (1993 - 1997)
- Universiti Teknologi MARA (UiTM)**
  - Adjunct Professor of Paediatrics at Faculties of Medicine (2009 - 2010)
- Universiti Tunku Abdul Rahman (UTAR)**
  - Adjunct Professor of Paediatrics at Faculties of Medicine (2013)

### Awards / Recognition / Past experience:

- Established the Respiratory Paediatrics as a Paediatric subspecialty in Malaysia
- Pioneered research in paediatric asthma and respiratory illnesses in Malaysian children
- Published substantially in international and local journals

## MOHD SAHIR BIN RAHMAT

NON-INDEPENDENT  
NON-EXECUTIVE DIRECTOR



**2018 TOTAL  
MEETINGS ATTENDED**

**5/5**



**DATE OF APPOINTMENT:**  
3 July 2017

**AGE:**  
55

**GENDER:**  
Male

**NATIONALITY:**  
Malaysian

**Length of Service  
(as at 28 February 2019):**  
1 year 8 months

**Academic/Professional  
Qualification/Membership(s):**

- Master of Business Administration, Henley Business School, University of Reading, UK
- Bachelor of Accountancy, Universiti Kebangsaan Malaysia
- Postgraduate Diploma in Health Services and Hospital Management from the South Bank University, London
- Member of Malaysian Institute of Accountants

**Present Directorship(s):**

**Listed Entity:**  
Nil

**Other Public Companies:**  
Johor Land Berhad

**Present Appointment(s):**

**Johor Corporation**

- Member Executive Committee  
Vice President, Business Development

**KPJ Healthcare Berhad**

- Member of Building and Tender Board Committee

**Past Directorship(s) and/or  
Appointment(s):**

**KPJ Healthcare Berhad**

- Vice President of Corporate and Financial Services (2013-2017)
- Group Chief Financial Officer (2011-2013)
- Director and Chairman to several hospitals and companies

## WHO GOVERNS US

# DATO' DR. ZAKI MORAD BIN MOHAMAD ZAHER

INDEPENDENT  
NON-EXECUTIVE DIRECTOR



2018 TOTAL  
MEETINGS ATTENDED

5/5



DATE OF APPOINTMENT:

3 July 2017

AGE:

69

GENDER:

Male

NATIONALITY:

Malaysian

**Length of Service  
(as at 28 February 2019):**  
1 year 8 months

**Academic/Professional  
Qualification/Membership(s):**

- Bachelor of Medicine and Bachelor of Surgery (MBBS), Universiti Malaya
- Postgraduate training in Nephrology
  - Royal Hallamshire Hospital, Sheffield, UK
  - Guys Hospital, London
  - General Hospital Kuala Lumpur
- Member of the Royal College of Physicians of United Kingdom
- Fellow of the Royal College of Physician of Edinburgh
- Fellow of the Academy of Medicine of Malaysia

**Present Directorship(s):**

**Listed Entity:**

Nil

**Other Public Companies:**

Nil

**Present Appointment(s):**

- **KPJ Healthcare Berhad**
  - Chairman of Medical Advisory Committee
  - Member of Building & Tender Board Committee
  - Consultant Nephrologist at KPJ Ampang Puteri Specialist Hospital
  - Member of Risk & Sustainability Committee
- **National Kidney Foundation of Malaysia**
  - Chairman

**Malaysian Medical Council**

- Board Member
- Chairman of its Medical Education Committee and its Fitness to Practice Committee

**Past Directorship(s) and/or  
Appointment(s):**

- **International Medical University**
  - Professor of Medicine (2006-2008)
- **Ministry of Health**
  - Head of Ministry's Clinical Research Centre (CRC) (2000-2006)
  - Head Nephrology Services (1987-2006)
- **General Hospital Kuala Lumpur**
  - Head Department of Nephrology (1987-2006)

**Awards/Recognition/Past  
experience:**

**Malaysian Society of  
Nephrology**

- President (1990-1992)

**Asian Society of  
Transplantation**

- President (2001-2003)

**Asian Pacific Society of  
Nephrology**

- Secretary
- General (2004-2006)
- International Society of Nephrology Pioneer Award for at the World Congress of Nephrology 2015, Cape Town South Africa.
- Established the National Renal Registry in 1992
- Introduced the Malaysian Organ Sharing System (Renal) waitlist system for allocation of cadaveric organs

## DATO' MUTHANNA BIN ABDULLAH

INDEPENDENT  
NON-EXECUTIVE DIRECTOR



2018 TOTAL  
MEETINGS ATTENDED

3/5



DATE OF APPOINTMENT:  
24 April 2018

AGE:  
59

GENDER:  
Male

NATIONALITY:  
Malaysian

**Length of Service  
(as at 28 February 2019):**  
10 months

**Academic/Professional  
Qualification/Membership(s):**

- Advocate & Solicitor, High Court of Malaya
- Barrister-At-Law, Middle Temple, England
- LL.B (Hons), University of Buckingham, England

**Present Directorship(s):**

**Listed Entity:**

- Sapura Resources Berhad

**Other Public Companies:**

- Malaysia Rating Corporation Berhad
- Malaysian Life Reinsurance Group Berhad
- MSIG Insurance (Malaysia) Berhad

**Present Appointment(s):**

**KPJ Healthcare Berhad**

- Chairman of Audit Committee
- Member of Nomination & Remuneration Committee
- Member of Risk & Sustainability Committee
- Member of ESOS Committee

**Sapura Resources Berhad**

- Independent Non-Executive Director
- Chairman - Audit Committee

**Malaysia Rating Corporation Berhad**

- Independent Non-Executive Director
- Chairman of Remuneration & Nomination Committee;
- Member of Audit & Compliance Committee

**Malaysian Life Reinsurance Group Berhad**

- Independent Non-Executive Director
- Chairman of Nominations & Remuneration Committee
- Member of Audit, and Compliance & Risk Management Committees

**Honorary Consul to Kuala Lumpur of the Republic of San Marino**

**Yayasan Siti Sapura Husin**

- Trustee

**Avocat au Confiance to the Swiss Embassy in Malaysia**  
**Legal Advisor to the Swiss Malaysian Business Association**

**Malaysia Aerospace Industry Association**

- Board Member

**British Malaysian Chamber of Commerce**

- Board Member

**Past Directorship(s) and/or Appointment(s):**  
Nil

**Awards/Recognition/Past experience:**

**Abdullah Chan & Co**

- Consultant (2018- present)
- Partner (2012-2017)
- Managing Partner (2001-2012)

**Abdullah A. Rahman & Co**

- Partner (1985-2001)



## WHO GOVERNS US

DATO' DR.  
BAJIT KOR A/P  
TEJA SINGHINDEPENDENT  
NON-EXECUTIVE DIRECTOR2018 TOTAL  
MEETINGS ATTENDED

3/5



## DATE OF APPOINTMENT:

24 April 2018

## AGE:

65

## GENDER:

Female

## NATIONALITY:

Malaysian

**Length of Service  
(as at 28 February 2019):**  
10 months**Academic/Professional  
Qualification/Membership(s):**

- Masters in Surgery (Ophthalmology) University Kebangsaan Malaysia - Very first graduand of this postgraduate ophthalmic programme
- Bachelor of Medicine and Bachelor of Surgery (MBBS), University of Mysore, India
- Fellow of Royal College of Surgeons (Ophthalmology) Edinburgh, UK
- Fellow of Royal College of Ophthalmologists, UK

- Member of College of Ophthalmologists, Academy of Medicine, Malaysia
- Member of Malaysian Society of Ophthalmology
- Member of Malaysia Medical Association

**Subspecialty:-**

- Fellowship in Paediatric Ophthalmology
- Hospital for Sick Children, Great Ormond Street, London
- Institute of Child Health, London
- Moorfields Eye Hospital, London
- Refractive Eye Surgery

**Present Directorship(s):****Listed Entity:**

Nil

**Other Public Companies:**

Nil

**Present Appointment(s):****KPJ Healthcare Berhad**

- Member of Audit Committee
- Member of Nomination & Remuneration Committee
- Member of Medical Advisory Committee

**KPJ Ampang Puteri Specialist Sdn Bhd**

- Senior Consultant Ophthalmologist, (since 1995)
- Head of Ophthalmology
- Member of Clinical Governance Committee (Credentialing and Privileging)
- Member of Risk, Safety and Quality Committee (RSQ)

**Past Directorship(s) and/or Appointment(s):**

Nil

**Awards/Recognition/Past experience:**

- British Council Award for Paediatric Ophthalmology Course, London
- Commonwealth Medical Fellowship Award for Paediatric Ophthalmology, UK
- Official Delegate WHO Meeting in Bangkok (SEA) on Prevention of Blindness
- Honorary Lecturer for Postgraduate Medical Education (Ophthalmology to
  - National University of Singapore (1991- 1993)
  - National University of Malaysia (1991 - 1995)
- Coordinator of Postgraduate Training in Ophthalmology - Ministry of Health (1991 - 1993)

# CHRISTINA FOO

INDEPENDENT  
NON-EXECUTIVE DIRECTOR



2018 TOTAL  
MEETINGS ATTENDED

3/5



DATE OF APPOINTMENT:  
24 April 2018

AGE:  
57

GENDER:  
Female

NATIONALITY:  
Malaysian

**Length of Service  
(as at 28 February 2019):**  
10 months

**Academic/Professional  
Qualification/Membership(s):**

- Bachelor of Business Studies (Accounting), Deakin University, Australia
- Fellow, CPA Australia
- Chartered Accountant, Malaysian Institute of Accountants
- Fellow, Malaysian Institute of Management
- Fellow, Institute of Corporate Directors Malaysia
- Member, ASEAN Chartered Professional Accountant

- Member, Malaysian Institute of Corporate Governance

**Present Directorship(s):**

- Listed Entity:**  
UEM Sunrise Berhad
- Other Public Companies:**  
Nil

**Present Appointment(s):**

- KPJ Healthcare Berhad**
- Chairman of Risk & Sustainability Committee
  - Member of Audit Committee
- Malaysian Technology Development Corporation**
- Board Member

- Chairman of Board Audit & Risk Management Committee
- Member of Nomination and Remuneration Committee
- Member of Approvals Committee, Business Startup Fund
- Member of Approvals Committee, Business Growth Fund

**Priority One Consultancy Services Sdn Bhd**

- Co-Founder & Managing Director

**Sunway University**

- Senior Practice Fellow at Sunway University Business School

**Past Directorship(s) and/or Appointment(s):**

**EY Malaysia & EY LLP**  
More than 16 years

**Malaysian Institute of Accountants**

- Vice President

**CPA Australia Ltd**

- Board Member

**Confederation of Asian And Pacific Accountants**

- Board Member

**Notes:** None of the Directors have:  
 • Any family relationship with any Director and/ or major shareholder of KPJ. • Any conflict of interest with KPJ. • Any conviction for offences within the past five years (other than traffic offences).  
 • Any sanctions and/or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2018.

# WHO LEADS US



## DATO' AMIRUDDIN BIN ABDUL SATAR

AGE **55** // **MALAYSIAN** // **MALE**

PRESIDENT AND  
MANAGING DIRECTOR

**Present Directorship(s):  
Listed Entity:**

- Damansara REIT Managers Sdn Berhad, the manager for 2 listed funds : Al-'Aqar Healthcare REIT and Al-Salām Real Estate Investment Trust

**Other Public Companies:**

- Nil

**Date of Appointment:**

1 January 2013

**Academic/Professional  
Qualification/Membership(s):**

- Member of Association of Chartered Certified Accountants
- Master of Business Administration, Henley Business School, University of Reading, UK



## AMINUDIN BIN DAWAM

AGE **55** // **MALAYSIAN** // **MALE**

EXECUTIVE  
DIRECTOR

**Present Directorship(s):  
Listed Entity:**

- Nil

**Other Public Companies:**

- Nil

**Date of Appointment:**

1 May 2015

**Academic/Professional  
Qualification/Membership(s):**

- Master of Business Administration, Sam Houston State University, Huntsville, Texas, USA
- Bachelor of Business Administration (Finance) from Sam Houston State University, Huntsville, Texas, USA
- Post-Graduate Diploma in Health Sciences & Hospital Management at South Bank University, London, UK



## JASIMAH BINTI HASSAN

AGE **58** // **MALAYSIAN** // **FEMALE**

EXECUTIVE  
DIRECTOR

**Present Directorship(s):  
Listed Entity:**

- Nil

**Other Public Companies:**

- Nil

**Date of Appointment:**

24 April 2018

**Academic/Professional  
Qualification/Membership(s):**

- Master of Business Administration, North Texas State University, Texas, USA
- Bachelor of Science in Mathematical Sciences, Indiana University, Bloomington, Indiana, USA
- Honorary Treasurer for the Asian Society for Quality in Health (ASQUA)
- Member of the Board of the Association of Private Hospital Malaysia (APHM)



## DATIN SABARIAH FAUZIAH BINTI JAMALUDDIN

AGE **57** // **MALAYSIAN** // **FEMALE**

VICE PRESIDENT (II)  
GROUP MARKETING &  
STRATEGIC COMMUNICATION

**Present Directorship(s):  
Listed Entity:**

- Nil

**Other Public Companies:**

- Nil

**Working Experience:**

Joined KPJ in 1994 and has held various positions in companies and hospitals within the KPJ Group. Currently she sits as a Chairman of a hospital, as well as several companies in the Group. In addition she is the Executive Director of KPJ's education companies and a Director of 3 companies in the Group.

Prior to joining KPJ, she was in the banking industry for seven years.

**Date of Appointment:**

1 January 2015

**Academic/Professional  
Qualification/Membership(s):**

- Master of Business Administration, University of the Sunshine Coast, Australia
- Bachelor of Business Administration, Ohio University, USA
- Diploma of Business Studies, Universiti Teknologi MARA (UiTM)
- Post Graduate in Health Services and Hospital Management, London South Bank University, UK
- Certified Human Resource Director, MIHRM

## WHO LEADS US



## MOHD JOHAR BIN ISMAIL

AGE **55** // **MALAYSIAN** // **MALE**

VICE PRESIDENT (II)  
NEW BUSINESS SERVICES  
(AMBULATORY CARE CENTRE  
(ACC) & RETAIL PHARMACY)

### Working Experience:

Joined KPJ in June 1993 and has held various positions in the KPJ Group. Currently he is the Chairman of six hospitals, as well as the Executive Director of KPJ Dhaka. He is also a Board member of five hospitals and several support companies in the Group. Prior to joining KPJ he was with Perbadanan Kemajuan Ekonomi Negeri Johor (PKENJ) as an Internal Auditor in 1988 and was seconded to the Johor State Economy Development Corporation (JSEDC) (1988-1993). Previous to his current position, he serves as the Senior General Manager of Business Operations back in January 2014 before being promoted to VP (II) of Project Management, Biomedical & International Operation Services (PMBIOS) in September 2015. Currently he still oversees PMBIOS.

**Date of Appointment:**  
1 July 2015

### Academic/Professional Qualification/Membership(s):

- Bachelor of Accountancy (Hons), Universiti Kebangsaan Malaysia
- Post Graduate Diploma in Health Management, South Bank University, UK

**Present Directorship(s):  
Listed Entity:**

- Nil

**Other Public Companies:**

- Nil



## NORHAIZAM BINTI MOHAMMAD

ACMA, CGMA

AGE **46** // **MALAYSIAN** // **FEMALE**

VICE PRESIDENT (II)  
GROUP FINANCE SERVICES

- President of MSQH (Malaysian Society for Quality in Health), a national accreditation body for public and private healthcare in Malaysia

**Present Directorship(s):  
Listed Entity:**

- Nil

**Other Public Companies:**

- Nil

### Working Experience:

Joined KPJ in 2008 and has held various positions in companies and hospitals within the KPJ Group. Currently she is a member of Board of Directors (BOD) of two hospitals and four support services companies within the Group. Prior to joining KPJ she was with Utusan Melayu (M) Berhad (1996-1997) and then served as a Manager of Audit and Business Assurance at PricewaterhouseCoopers (1997-2007).

**Date of Appointment:**  
20 April 2017

### Academic/Professional Qualification/Membership(s):

- Associate of The Chartered Institute of Management Accountants (CIMA) UK
- Fellow of Malaysian Institute of Accountants (MIA)
- Master of Business Administration, International Business with Merit from University of East London, London, UK (Twinning Programme with Women Institute Malaysia)
- Bachelor of Accountancy (Hons) from Manchester Metropolitan University, Manchester, UK



## AHMAD NASIRRUDDIN BIN HARUN

AGE **56** // **MALAYSIAN** // **MALE**

SENIOR GENERAL MANAGER  
GROUP STRATEGIC SUPPORT  
SERVICES

- In recognition to his healthcare professional and sports contributions to the state of Perak, he was awarded the Ahli Mahkota Perak (A.M.P) by his Royal Highness Sultan Dr Nazrin Muizzuddin Shah, Sultan of Perak in November 2016.

**Present Directorship(s):**

**Listed Entity:**

- Nil

**Other Public Companies:**

- Nil

**Working Experience:**

Joined KPJ in September 1995 and has held various positions in companies and hospitals within the KPJ Group. Currently he is the Chairman of three hospitals, Executive Director for two hospitals in Indonesia and 5 support companies. He also serves as Board member of several hospital and a Aged Care retirement home named Jeta Garden in Brisbane Australia.

**Date of Appointment:**

1 July 2011

**Academic/Professional Qualification/Membership(s):**

- Master of Business Administration (MBA), Henley Business School, University of Reading, UK
- Degree of Accountancy, Universiti Teknologi MARA (UiTM)
- Post Graduate Diploma in Health Services and Hospital Management, Southbank University, UK
- Fellow of Malaysian Society for Quality in Health (MSQH)
- Fellow of Malaysian Institute of Accountants (MIA)



## MOHD NASIR BIN MOHAMED

AGE **58** // **MALAYSIAN** // **MALE**

SENIOR GENERAL MANAGER  
GROUP OPERATIONS SERVICES

**Present Directorship(s):**

**Listed Entity:**

- Nil

**Other Public Companies:**

- Nil

**Working Experience:**

Joined KPJ in 1993 and has held various positions in companies and hospitals within the KPJ Group. Currently he is the Executive Director of six hospitals. He also the Chairman and Board member of several support companies in the Group.

**Date of Appointment:**

1 March 2013

**Academic/Professional Qualification/Membership(s):**

- Bachelor of of Accountancy, University of Abertay, Dundee, Scotland
- Post Graduate Diploma in Healthcare Services and Hospital Management, South Bank University London, UK

## WHO LEADS US



## ROSLAN BIN AHMAD

AGE **55** // **MALAYSIAN** // **MALE**

SENIOR GENERAL MANAGER  
GROUP OPERATIONS SERVICES

**Present Directorship(s):  
Listed Entity:**

- Nil

**Other Public Companies:**

- Nil

**Working Experience:**

Joined KPJ in 1996. Prior to joining KPJ, he was with the Malaysian Pineapple Industry Board in 1988 and served its London office until 1995. Currently he is the Executive Director of five hospitals and a Board member of several support companies in the Group

**Date of Appointment:**  
1 January 2016

**Academic/Professional  
Qualification/Membership(s):**

- Master in Business Administration, Miami University, USA
- Bachelor of Accountancy, University of Minnesota, USA
- Post Graduate Diploma in Hospital Management, South Bank University London, UK



## ERIC SIM KAM SENG

AGE **50** // **MALAYSIAN** // **MALE**

CHIEF INFORMATION  
OFFICER (CIO) INFORMATION  
TECHNOLOGY SERVICES

**Present Directorship(s):  
Listed Entity:**

- Nil

**Other Public Companies:**

- Nil

**Working Experience:**

10 years of working experience in KPJ Healthcare from head of software development in clinical information system to overall governance.

CIO develop the IT Strategic as blueprint for the next 5-10 years for KPJ Healthcare and its group of companies and hospitals as KPJ embark into the digital transformation.

**Date of Appointment:**  
1 March 2016

**Academic/Professional  
Qualification/Membership(s):**

- Master of Business Administration & Project Management, Asia e-University
- Degree of Business Management, Bolton University, UK
- Degree of Computer Science, NCC & University of Portsmouth, UK
- Financial Management, Institute of Financial Accountants, UK
- Electrical Engineering, City Guilds, UK

The challenges to be innovative and value creation to bring KPJ Healthcare to the new era align with Industry 4.0 Revolution using technology innovation to drive business needs and sustainability.

Several project initiative progress by looking into lowering operational costs and future growth. Cloud and Cloud Computing as the platform to provide shared and managed service delivery model. Other big challenges ahead like Information Security and Cybersecurity to minimize IT Risk to the entire organisation.



## DATO' MOHAMAD FARID BIN SALIM

AGE **54** // **MALAYSIAN** // **MALE**

SENIOR GENERAL MANAGER  
BUSINESS OPERATIONS,  
TECHNOLOGY & CLINICAL  
SERVICES

**Present Directorship(s):**

**Listed Entity:**

- Nil

**Other Public Companies:**

- Nil

**Working Experience:**

Joined KPJ in 1994 and has held various positions in companies and hospitals within the KPJ Group. Currently he is the Executive Director of six hospitals and a Board member of several support companies in the Group.

**Date of Appointment:**

1 June 2018

**Academic/Professional Qualification/Membership(s):**

- Fellowship of Chartered Association of Certified Accountants (FCCA), United Kingdom
- Master of Business Administration International Business, University of East London in 2018
- Post Graduate Diploma in Healthcare Management from South Bank University, London in 1997
- Leadership Development Program at Henley Business School, University of Reading, United Kingdom in 2011.



## RAZMAN BIN RADZI

AGE **55** // **MALAYSIAN** // **MALE**

SENIOR GENERAL MANAGER  
GROUP TALENT MANAGEMENT

- Member, Malaysian Institute of Human Resource Management.

**Present Directorship(s):**

**Listed Entity:**

- Nil

**Other Public Companies:**

- Nil

**Working Experience:**

29 years of experience in Human Resources spanning numerous industries such as manufacturing, oil and gas, banking, property development, plantation, engineering and investment holding. Prior to his appointment in KPJ Healthcare Berhad, he had served in Johor Corporation since 2013. He sits on the Board of five companies in Johor Corporation and currently serves as a member of the Advisory Panel of the Malaysian Institute of Human Resource Management. In the past, he had also served as a panel member of the Industrial Court.

**Date of Appointment:**

1 October 2018

**Academic/Professional Qualification/Membership(s):**

- Bachelor of Business Administration, International Islamic University, Malaysia
- Diploma in Personnel Management (post-graduate), Malaysian Institute of Personnel Management.
- Certified Human Resource Director, Malaysian Institute of Human Resource Management.
- Certified Balanced Scorecard Professional, George Washington University College for Professional Studies and Balanced Scorecard Institute.



WHO LEADS US



YAP  
CHEE WAI

AGE **52** // **MALAYSIAN** // **MALE**

CHIEF TECHNOLOGY OFFICER  
(CTO), INFORMATION  
TECHNOLOGY SERVICES

**Working Experience:**

- Joined KPJ in Feb 2019. Prior to joining KPJ, he was in the Information Technology (IT), Telecommunication, Mobile and Digital Services, Ports and Logistics industry with 27 years of experiences.

**Date of Appointment:**  
11 February 2019

**Academic/Professional  
Qualification/Membership(s):**

- Bachelor of Engineering with Honours (Major-Electronics & Computer Engineering), Monash University, Australia
- Bachelor of Science (Major-Computer Science), Monash University, Australia

**Present Directorship(s):**

**Listed Entity:**

- Nil

**Other Public Companies:**

- Nil

**Notes:** None of the Executive Committee Members have:  
• Any family relationship with any Director and/ or major shareholder of KPJ. • Any conflict of interest with KPJ. • Any conviction for offences within the past five years (other than traffic offences). • Any sanctions and/or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2018.

WHO  
SUPPORTS  
US



**HANA BINTI >>  
AB RAHIM**  
@ **ALI, ACIS**

COMPANY  
SECRETARY

(MAICSA 7064336)



**HASLINDA >>  
BINTI MD NOR**  
@ **MOHD NOAH**

COMPANY  
SECRETARY  
w.e.f. 1 July 2018

(LS 0005697)

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# CORPORATE GOVERNANCE OVERVIEW

THE BOARD OF DIRECTORS OF KPJ HEALTHCARE BERHAD (BOARD) BELIEVES THAT GOOD CORPORATE GOVERNANCE ADDS VALUE TO THE BUSINESS OF THE GROUP AND WILL ENSURE THAT THIS PRACTICE CONTINUES. THE BOARD BELIEVES IN PLAYING AN ACTIVE ROLE IN GUIDING THE MANAGEMENT THROUGH ITS OVERSIGHT REVIEW WHILE AT THE SAME TIME STEER THE GROUP'S BUSINESS DIRECTION AND STRATEGY.

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In line with this commitment, the Board is continuously reviewing and has taken, where appropriate, the necessary steps to comply with the 3 Principles, 32 practices and 4 Step-ups of the Malaysian Code on Corporate Governance 2017 (MCCG 2017). The Board is pleased to elaborate on the Group's application and extent of compliance with MCCG 2017 during the financial year 2018 in this Corporate Governance Overview Statement (CG Overview).

This Statement is supplemented with a Corporate Governance Report (CG Report) pursuant

to paragraph 15.25 of the Main Market Listing Requirements (MMLR) by Bursa Malaysia Securities Berhad (Bursa Securities). The CG Report is available on the Company's website [http://kpj.listedcompany.com/cg\\_report.html](http://kpj.listedcompany.com/cg_report.html) as well as on the website of Bursa Securities.

This statement should be read in conjunction with the statement on Risk Management and Internal Control (SORMIC), and Audit Committee Report as well KPJ's Clinical Governance in Medical Advisory Committee (MAC).

The Corporate Governance Framework is developed based on the following statutory requirements, best practices and guidelines:-

- Companies Act 2016 (CA 2016);
- Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities);
- Malaysia Code on Corporate Governance 2017; and
- Bursa Malaysia Corporate Governance Guide - 3<sup>rd</sup> Edition published on 17 December 2017

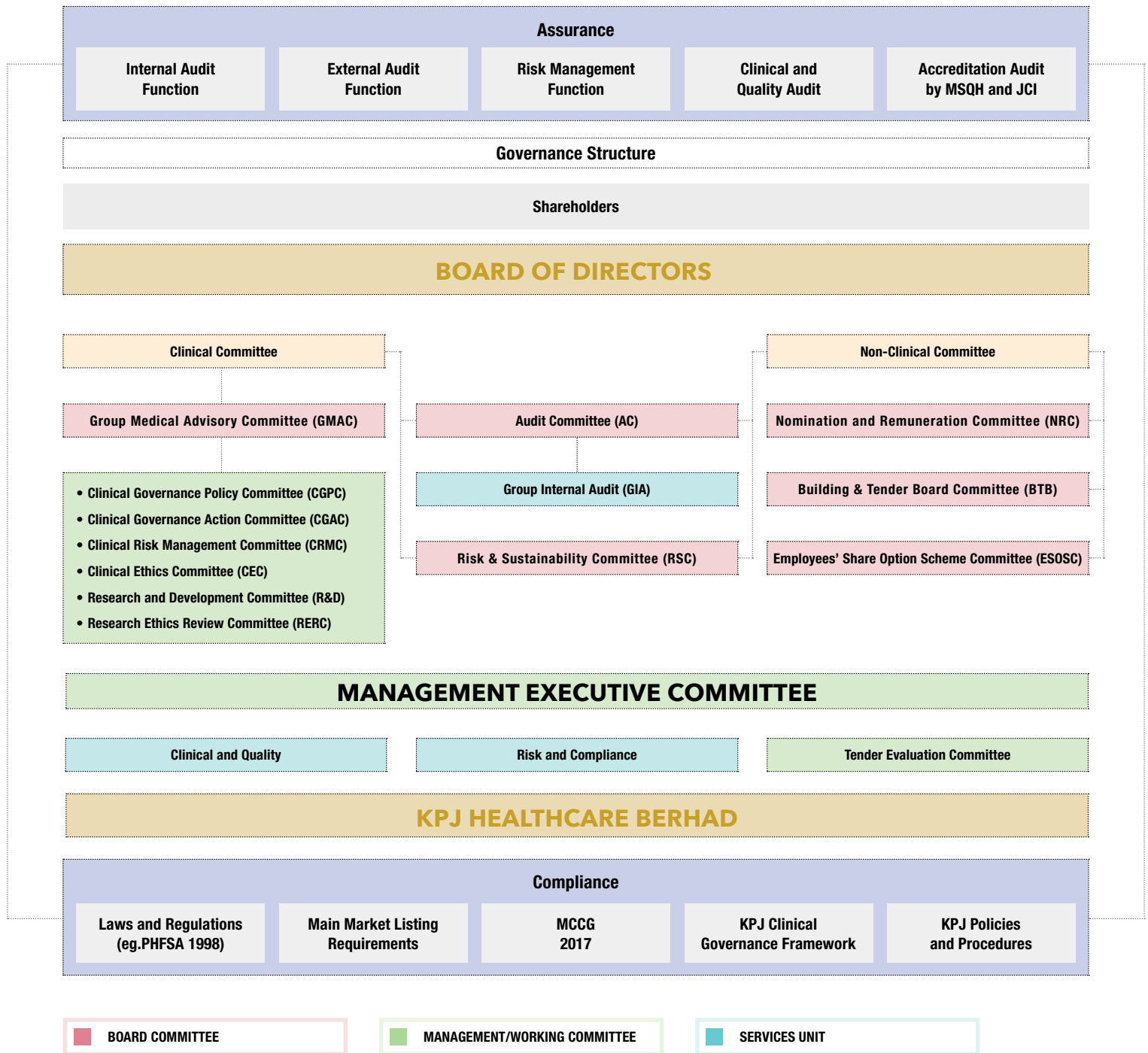
The Company has complied with the Main Principles set out in the MCCG 2017 which was released in April 2017. The gap analysis was discussed and tabled to the Board in Feb 2019. As at the date of this Integrated Report, we have applied all the practices in MCCG 2017 except for the following:-

- **Practice 4.1**  
At least half of the board comprises of independent directors. For Large Companies, the board comprises of a majority of independent directors.
- **Practice 4.7**  
The nominating Committee is chaired by an Independent Director or Senior Independent Director.
- **Practice 5.1**  
The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out and its outcome.  
  
For Large Companies, the board engages independent experts periodically to facilitate objective and candid board evaluations.
- **Practice 7.3 Step-up**  
Companies are encouraged to fully disclose the detailed remuneration of each of senior management on a named basis.
- **Practice 12.3**  
Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate :-
  - Voting in absentia; and
  - Remote shareholders' participation at General Meetings

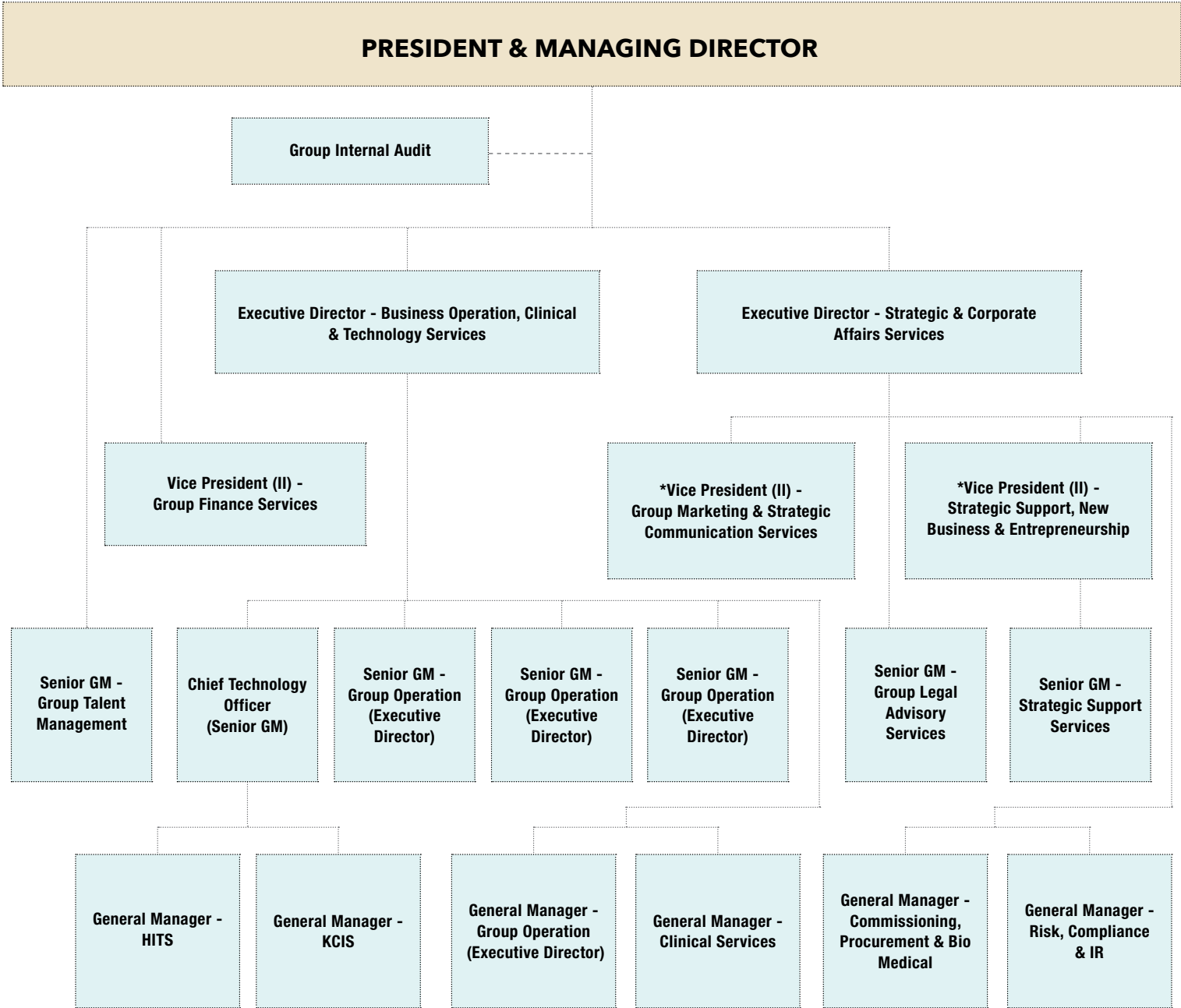
The explanation for the departure from the Practices and measures to be taken are provided in the CG Report.

CORPORATE GOVERNANCE OVERVIEW

CORPORATE GOVERNANCE MODEL



**KPJ HEALTHCARE BERHAD ORGANISATION CHART**



CORPORATE GOVERNANCE OVERVIEW

PRINCIPLE A

BOARD LEADERSHIP AND EFFECTIVENESS

**BOARD'S RESPONSIBILITIES**

Structural Changes to Board Composition

**New appointments: INED**

Date: 24 April 2018

- Dato' Muthanna bin Abdullah
- Christina Foo
- Dato' Dr. Bajit Kor A/P Teja Singh

**New appointment: ED**

Date: 24 April 2018

- Jasimah binti Hassan

**Retirement of Directors: INED**

Date: 23 April 2018 during the 25<sup>th</sup> AGM

- Zainah binti Mustafa
- Datuk Azzat bin Kamaludin
- Dr. Kok Chin Leong

All members of the Board contribute meaningfully in the areas of formulation of strategic objectives and policies, governance, performance monitoring, allocation of resources and compliance.

Each director brings with him/her vast experience and astute insights to enable the Board to function effectively in discharging its duties and responsibilities as required of them with due care and skill.

The roles of the Chairman of the Board, President and Managing Director, two Executive Directors and the eight (8) Non-Executive Directors (NEDs) are kept separate with a clear division of responsibilities in line with best practices. The functions of the Chairman as well as those of the President & Managing Director are clearly segregated to ensure that there is a balance of power and authority.

Dato' Kamaruzzaman bin Abu Kassim as the Chairman continues to lead the Board by providing oversight leadership on the strategies and business affairs of the Group. He is also the President and Chief Executive of Johor Corporation (JCorp) and has never held the position of President & Managing Director of the Company.

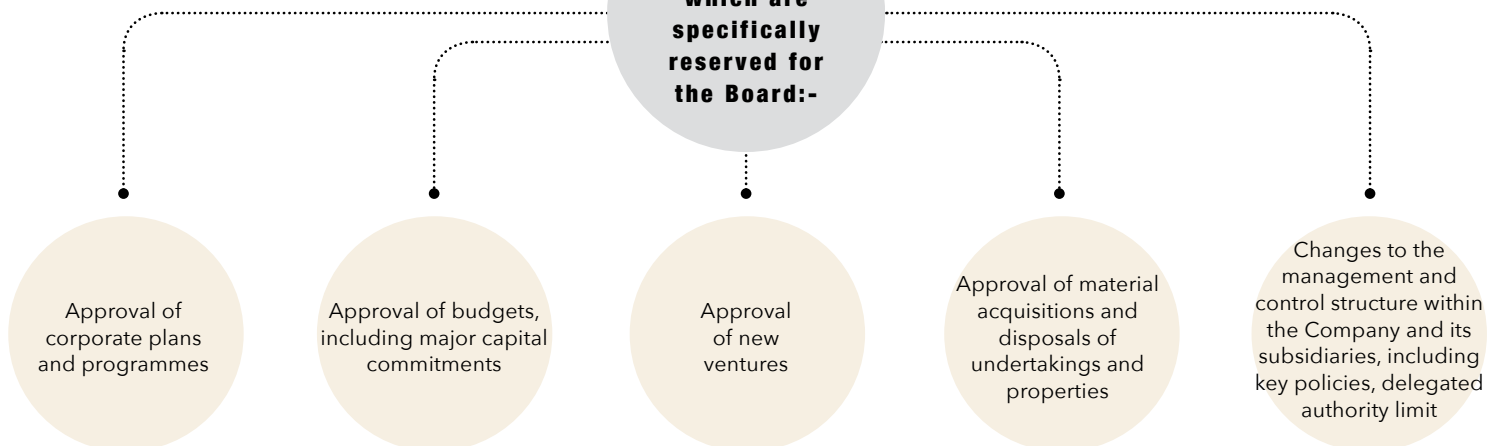
Dato' Amiruddin bin Abdul Satar, the President & Managing Director (PMD) of the Company is responsible for leading the Management in the execution of broad policies, strategies and action plans approved by the Board. He regularly engages the Board to report and discuss the Group's business performance and developments, including all strategic matters affecting the Group.

The Board has also developed and approved the Corporate Objectives for 2018, for which the President & Managing Director has the responsibility to execute and achieve them. It also forms the basis where the performance of Management will be assessed.

The Board also assigns authority and responsibilities mainly to the Management Executive Committee (EXCO) which is headed by the President & Managing Director, to manage operations as well as execute strategic initiatives pertaining to the delivery of services and business operations of the Group.

The Company Secretaries play an advisory role to the Board in relation to the Company's constitution, Board's policies, procedures and compliance with the relevant regulatory requirements, including codes or guidance and legislations. The Company Secretaries support the Board in managing the Group's Governance Model, ensuring it is effective and relevant. Each Board member has unrestricted access to the advice and services of the Company Secretaries.

The following are matters which are specifically reserved for the Board:-



## BOARD OF DIRECTORS

### Roles and Responsibilities

- The Board is committed to deliver sustainable value and determine long-term goals through its leadership and dedicated management team. The Board is responsible for overseeing how management served the interest of shareholders and stakeholders including risk management, environmental, social, external conditions such as new government, regulatory changes and global trends. The Board also promotes a Group culture based on the core values and define its roles in society.

### ACTIVITIES IN 2018

- The Board deliberated on the Group's strategic plans and embedded integrated thinking that requires output of the business and quality of the outcomes
- On quarterly basis, the KPI's performance was reviewed and the Board oversaw the execution of the approved initiatives of every indicators such as financial and operational performance
- Managed risks and opportunity of the Group's material matters as well as other value drivers that may have a direct and indirect impact to Our Six Capitals

### PRIORITIES IN 2019

- To develop strategy and managing risks and opportunities of the Group's material matters as well as other value drivers that may have a direct impact to the Our Six Capitals

## BOARD CHARTER

The Group has documented clear policies for identifying and separating the functions and responsibilities of the Board and Management, Chairman as well as the President & Managing Director in ensuring the smooth running of the Group's business and operations.

These are enshrined in the Board Charter, which has been reviewed and updated in 2018 to be in line with the practices of MCCG and the Companies Act 2016, a copy of which is made available to all Directors of the Company. The full extent of Board responsibilities including Code of Conduct is available at [http://kpj.listedcompany.com/board\\_charter.html](http://kpj.listedcompany.com/board_charter.html)

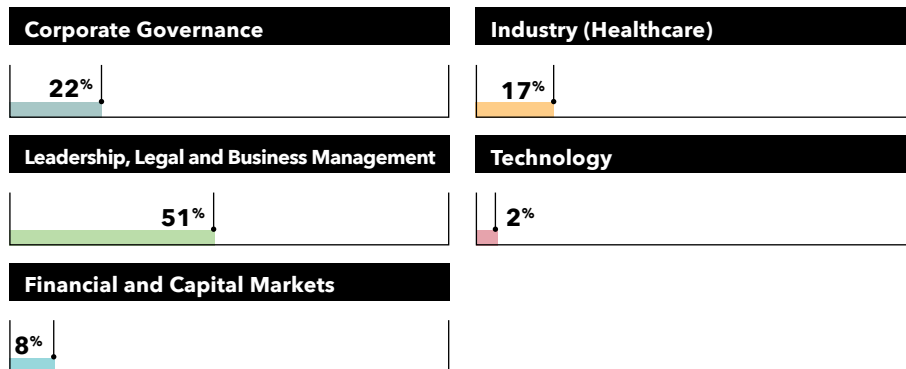
## CONTINUING EDUCATION PROGRAMMES

As an integral element of the process of appointing new Directors, the Board ensures that there is an orientation and education programme for new Board Members. In August 2018, one induction program was facilitated for three (3) new Directors who were appointed on 24 April 2018.

Directors also received further training from time to time through Continuous Education Program (CEP), particularly on relevant laws, regulations, changing commercial risk and environment as required by Paragraph 15.08(3) of the MMLR. During the year, the Board members have attended trainings/programmes organised by various parties as disclosed under Practice 2.1 of the CG Report.

CORPORATE GOVERNANCE OVERVIEW

2018 DIRECTORS' TRAINING FOCUS AREAS



BOARD COMPOSITION

The composition of the Board of Directors is as follows:

- One Non-Independent Non-Executive Chairman;
- Two Non-Independent Non-Executive Directors;
- Six Independent Non-Executive Directors;
- One President & Managing Director; and
- Two Executive Directors.

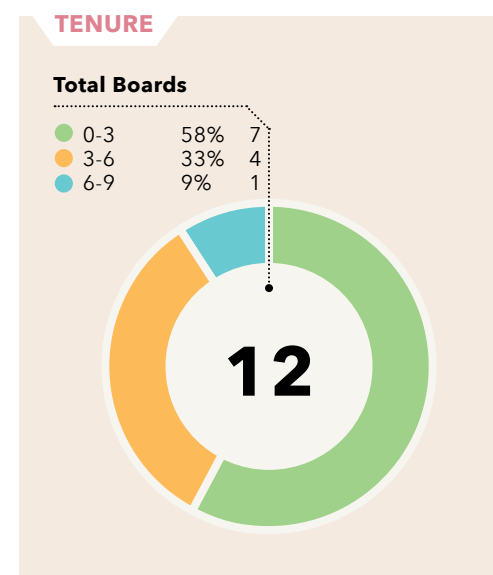
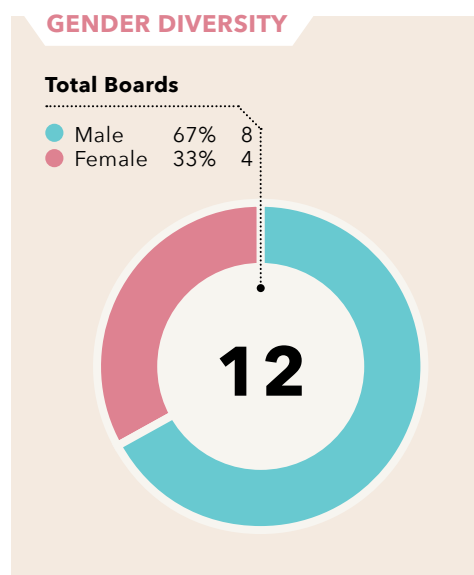
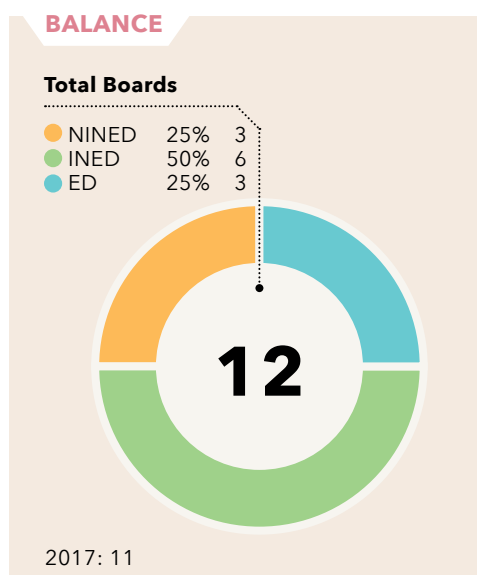
The present size and composition remains well-balanced and is made up of professionals with a wide range of knowledge and experience in business, operations and finance, all relevant to the direction of a large, expanding Group. The profiles of all Board Members, comprising of their qualification, experience and calibre are disclosed on pages 93 to 104 of this Integrated Report.

The Board, through the Nomination and Remuneration Committee (NRC), undertakes a rigorous evaluation each year in order to assess how well the Board, its Committees, the Directors and the Chairman are performing, including assessing the independence of Independent Directors, taking into account the individual Director's capability to exercise independent judgement at all times.

The Board has adopted the nine-year policy as enshrined in the MCGG since 2017 which limits the tenure of the Independent Director. Three new Directors were appointed in April 2018 in line with the compliance with MCGG as well as achieve the diversity target of at least 30% women directors on the Board.

The Board also approved the NRC's recommendation that the Board size be increased to 12 from 11 directors previously.

The current composition of the Board Members has the appropriate mix of diversity, skills, experience and capabilities.



## EXPERIENCE AND SKILLS

Accounting/ Financial Management/Audit	21%	8
Business Development Advisory	8%	3
Mathematics/Statistics/ Economics	5%	2
Legal/Regulatory/Risk/ Corporate Governance	16%	6
Specialist Consultants	8%	3
Healthcare (Operations)	11%	4
Corporate CEO / Managing Director	18%	7
Education	8%	3
Research & Development	5%	2



## 2018 MEETING CALENDAR

	BOD	ACM	RSC	BC <sup>(c)</sup>	TBC <sup>(c)</sup>	BTB <sup>(c)</sup>	NRC	MAC
<b>Non Independent Non-Executive Director</b>								
Dato' Kamaruzzaman bin Abu Kassim	5/5						3/3	
Zulkifli bin Ibrahim	5/5				2/2	1/2		
Mohd Sahir bin Rahmat	5/5				2/2	1/2		
<b>Independent Non-Executive Director</b>								
Tan Sri Datin Paduka Siti Sa'diah binti Sh Bakir	5/5			2/2		2/2	2/3	
Prof Dato' Dr. Azizi bin Haji Omar	4/5	4/5	4/5		2/2	2/2		4/4
Dr. Zaki Morad bin Mohamad Zaher	5/5		3/5	2/2		1/2		4/4
Dato' Muthanna bin Abdullah <sup>(b)</sup>	3/3	5/5	5/5				2/2	
Christina Foo <sup>(b)</sup>	3/3	5/5	5/5					
Dato' Dr. Bajit Kor A/P Teja Singh <sup>(b)</sup>	3/3	5/5					2/2	1/1
Datuk Azzat bin Kamaludin <sup>(a)</sup>	2/2	1/2			1/2		1/1	
Dr. Kok Chin Leong <sup>(a)</sup>	2/2	1/2						1/1
Zainah binti Mustafa <sup>(a)</sup>	2/2	2/2					1/1	
<b>Executive/Managing Director</b>								
Dato' Amiruddin bin Abdul Satar	5/5			1/1	2/2	2/2		4/4
Aminudin bin Dawam	5/5			2/2				
Jasimah binti Hassan <sup>(b)</sup>	3/3	5/5						1/1
<b>Total number of meetings</b>	<b>5</b>	<b>7</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>4</b>

Chairman

<sup>(a)</sup> Retired as INED w.e.f on 23 April 2018

<sup>(b)</sup> Appointed as INED w.e.f on 24 April 2018

<sup>(c)</sup> Building Committee and Tender Board Committee merged into one committee in July 2018



## CORPORATE GOVERNANCE OVERVIEW

**BOARD REMUNERATION**

The Board has in place a Board Remuneration Policy governing the remuneration of directors and believes that the levels of remuneration offered by the Group are sufficient to attract directors of calibre with sufficient experience and talent to contribute to the performance of the Group. The Non-Executive Directors are remunerated based on fixed annual director's fees and fixed meeting allowances. The current Board Remuneration Policy was approved by the shareholders of the Company at the 26th AGM held in April 2019.

The remuneration framework applicable for the President and Managing Director and Executive Director has the underlying objective of attracting and retaining an executive director needed to manage the Company successfully. It is structured to commensurate with the achievement of corporate targets set by the Board and their individual performance. Their remuneration packages have been reviewed by the NRC and approved by the Board.

**BOARD COMMITTEE**

The Board, as part of its leadership role coordinates and delegates specific responsibilities to several Committees to facilitate the operations of the Group at the Board and Management level. Each Committee has written terms of reference defining its scope, powers and responsibilities.

These Committees have the authority to examine particular issues and report back to the Board with their findings and recommendations. The ultimate responsibility for the final decisions and recommendations on all matters emanating from these Committees, however, lies with the entire Board.

**NOMINATION AND REMUNERATION COMMITTEE**

**DATO' KAMARUZZAMAN BIN ABU KASSIM, CHAIRMAN - NINED**  
**TAN SRI DATIN PADUKA SITI SA'DIAH BINTI SH BAKIR - INED**

**DATO' MUTHANNA BIN ABDULLAH - INED**  
**DATO' DR. BAJIT KOR A/P TEJA SINGH - INED**

**Roles and Responsibilities**

The NRC is responsible to ensure that there is an effective and orderly succession planning in the Group. NRC also responsible for formulating the nomination, selection and succession for the Group's key management position.

**ACTIVITIES IN 2018**

- Undertook a fresh review of Board composition by adding three new INED and one ED in April 2018 which also achieved 30% composition of women directors
- Reviewed and appointed two (2) Group's key management positions
- Reviewed and extended contract of President & Managing Director and Executive Director
- Accepted the application of retirement for three directors who have exceeded the nine-year cumulative term limit

**PRIORITIES IN 2019**

- To review of top Management succession plan



**BUILDING & TENDER BOARD COMMITTEE**

**TAN SRI DATIN PADUKA SITI SA'DIAH BINTI SH BAKIR  
(CHAIRMAN) - INED**  
**ZULKIFLI BIN IBRAHIM - NED**  
**DATO' AMIRUDDIN BIN ABDUL SATAR- PMD**  
**PROF DATO' DR. AZIZI BIN HAJI OMAR - INED**  
**DATO' DR. ZAKI MORAD BIN MOHAMAD ZAHER - INED**

**Roles and Responsibilities**

- The BTB oversees the timeline and costing of each project undertaken by the Group and to address any issues relating to these projects. At the same time evaluates, deliberates and approves the recommendations made by the Management to award major contracts and tenders to selected contractors for the Board's approval.

**ACTIVITIES IN 2018**

- Building Committee and Tender Board Committee merged as one committee BTB in July 2018
- Reviewed and approved on the amendment of a few standard practices in the contract with Consultants and Contractors, in line with new contract requirement - Reviewed the progress of various development projects and approved variations to project time lines and costs
- Reviewed the project development cost and Project Cost Saving initiatives by Project Management Services
- Reviewed and approved the award tender to the Board

**PRIORITIES IN 2019**

- To focus on the new hospitals development's completion within the stipulated time

## CORPORATE GOVERNANCE OVERVIEW

## PRINCIPLE B

## EFFECTIVE AUDIT AND RISK MANAGEMENT

**AUDIT COMMITTEE (AC)**

The AC currently comprises of four INED. All of the members were newly appointed as new member of AC on 24 April 2018.

Company Secretaries (CoSec) will arrange the meetings' schedule in advance to coincide with the dates within the financial reporting cycle.

AUDIT COMMITTEE (AC)	
<p><b>DATO' MUTHANNA BIN ABDULLAH - CHAIRMAN</b>  <b>PROF DATO' DR. AZIZI BIN HAJI OMAR - INED</b>  <b>DATO' DR. BAJIT KOR A/P TEJA SINGH - INED</b>  <b>CHRISTINA FOO - INED</b></p>	<p><b>Roles and Responsibilities</b></p> <ul style="list-style-type: none"> <li>The AC reviews the adequacy and effectiveness of internal control system and governance process to safeguard the rights and interests of the shareholders</li> <li>Effective 23 April 2018, the duties and responsibilities of the AC on Risk Management was transferred to RSC</li> </ul>
ACTIVITIES IN 2018	
<ul style="list-style-type: none"> <li>AC Chairman held regular working discussions with the Management engaged in the process of materials preparation for the Committee.</li> <li>Assessed the financial impact of the first adoption of new MFRS</li> <li>Reviewed recent development in tax laws and regulations</li> <li>Reviewed and approved Audit Charter in line with the International Standards for Professional Practice of Internal Auditing by the Institute of Internal Auditors (IIA)</li> <li>Reviewed the quarterly financial results before recommending the same to Board for approval</li> <li>Reviewed the related party transactions and recurrent related party transactions</li> </ul>	
PRIORITIES IN 2019	
<ul style="list-style-type: none"> <li>To assess the effectiveness of the process and adherence to SOP by the Management and staff at all Hospitals/Centres in order to ensure an efficient and sound control systems</li> <li>To assess the expected controls embedded in the upgraded 2nd generation cloud computing system of HITS2 and KCIS2</li> </ul>	

For more details of activities done by AC in 2018 can be found in the Audit Committee Report at pages 129 to 132.

**REVIEW OF THE PERFORMANCE OF AC**

The annual review of the composition and performance of AC, including members' tenure, performance and effectiveness as well as their accountability and responsibilities, was duly assessed via the Board Effectiveness Evaluation (BEE).

**RELATIONSHIP WITH EXTERNAL AUDITORS**

A dialogue was held between AC, IA, Finance and the external auditors to discuss on the External Auditors audit plan, report, internal controls issues and procedures. The performance of external auditors was assessed and the AC recommended their appointment and remuneration to the Board.

**POLICY ON WHISTLE-BLOWING**

The Group has a Policy on Whistle-Blowing that enables employees, stakeholders (i.e. shareholders / suppliers / customers) and any other parties to report genuine concerns about unethical behaviour, malpractices, illegal acts or failure to comply with regulatory requirements without fear of reprisal should they act in good faith when reporting such concerns.

The Policy covers, inter-alia, three (3) tiers of whistle-blowing reporting line, comprising of the President & Managing Director,

the Chairman of the Audit Committee and the Chairman of the Board, to facilitate whistle-blowing activities according to different possible circumstances.

The address and contact details of the above are stated in the policy at <http://kpj.listedcompany.com/whistleblowing.html>

The objective of this channel is to encourage the reporting of such matters in good faith, the confidence that employees or any party making such report are protected against any retaliation.

<p><b>RISK &amp; SUSTAINABILITY COMMITTEE</b></p>	
<p><b>CHRISTINA FOO (CHAIRMAN) - INED</b>  <b>DATO' MUTHANNA BIN ABDULLAH - INED</b>  <b>PROF DATO' DR. AZIZI BIN HAJI OMAR - INED</b>  <b>DATO' DR. ZAKI MORAD BIN MOHAMAD ZAHER - INED</b>  <b>JASIMAH BINTI HASSAN - ED</b></p>	<p><b>Roles and Responsibilities</b></p> <ul style="list-style-type: none"> <li>The RSC oversees the overall risk exposure and risk management matters relating to any material clinical and non-clinical risk identified. RSC will recommend to the Board for any changes in the policy, framework, standards and procedures where applicable. At the same time, the RSC also monitors the appropriateness of KPJ strategies in addressing material stakeholder sustainability concerns and ensure its compliance with sustainability policy and reporting requirement.</li> </ul>
<p><b>ACTIVITIES IN 2018</b></p> <ul style="list-style-type: none"> <li>The RSC was established effective 24 April 2018. For the year, the RSC held 5 meetings</li> <li>Reviewed the KPJ Risk Framework &amp; Guidelines</li> <li>Reviewed all the Risk Reports on Cybersecurity, Patient Care Related and Incident Reporting (Clinical/Non-Clinical Incidents) presented during the year</li> <li>Reviewed the progress of all the major sustainability initiatives undertaken</li> <li>Reviewed the draft 2018 of Integrated Report</li> <li>Reviewed the draft CG Report, CG Overview and SORMIC for 2018 Integrated Reporting</li> </ul>	
<p><b>PRIORITIES IN 2019</b></p> <ul style="list-style-type: none"> <li>To oversee the migration to ISO3100:2018 Risk Management standard in line with KPJ ISO certification in preparation for the ISO surveillance audit cycle.</li> <li>To enhance the promotion of healthy risk culture and keeping abreast with new and emerging risks and discuss possible mitigation plans.</li> <li>To review from time to time and focus on top key-risks affecting the Group</li> </ul>	

More details of the activities undertaken by RSC in 2018 can be found at the SORMIC section on pages 133 to 138.

## CORPORATE GOVERNANCE OVERVIEW

As a healthcare service provider, the Board considers the clinical risks from its hospital operations to be the primary risk area. The Board delegates its powers to the Medical Advisory Committee (MAC) to provide oversight on all clinical governance, risks and control matters.

**GROUP MEDICAL ADVISORY COMMITTEE (GMAC)**

**DATO' DR. ZAKI MORAD BIN MOHAMAD ZAHER**  
(CHAIRMAN MAC) - INED  
**DATO' AMIRUDDIN BIN ABDUL SATAR - PMD**  
**DATUK DR. HUSSEIN BIN AWANG**  
(CHAIRMAN, MEDICAL DIRECTORS' MEETING)  
**DATO' DR. S SIVAMOHAN (CHAIRMAN CGPC)**  
**PROF. (C) DATO' DR. SHAHRUDIN BIN MOHD DUN**  
(CHAIRMAN CGAC)

**DATO' DR. NGUN KOK WENG (CHAIRMAN CRM)**  
**DATO' DR. FADZLI CHEAH (CHAIRMAN CEC)**  
**PROF. DATO' DR. AZIZI HAJI OMAR (CHAIRMAN ROIC) - INED**  
**DR. MOHD HAFETZ BIN AHMAD (CHAIRMAN RERC)**  
**DATO' DR. BAJIT KOR A/P TEJA SINGH - INED**  
**JASIMAH BINTI HASSAN - ED**  
**GUNAVATHY KALEE (GENERAL MANAGER,**  
**KPJ CLINICAL SERVICES KPJHB)**

**Roles and Responsibilities**

- The GMAC develops and monitors clinical governance activities and guidelines of the KPJ Group of Hospitals. The committee ensures that the best clinical governance activities and guidelines are adopted and practised by the Group in order to strengthen existing systems for quality control, based on clinical standards, evidence based practice and lessons learnt from past cases.

**ACTIVITIES IN 2018**

- Developed new policies and guidelines as well as reviewing and updating all existing policies/guidelines to ensure evidence based processes are in place.
- Reviewed clinical governance and reporting clinical outcomes by doctors
- Reviewed the activities for clinical compliance including accreditation standards and clinical surveys.
- Monitored performance and patient outcomes such as clinical indicators and quality indicators for Accident and Emergency Services
- Introduced new services in line with new technology in meeting customers' expectations and endeavour to provide a safe healing environment.

**PRIORITIES IN 2019**

- To monitor the execution of policy, procedures and guidelines for patient safety and satisfactory clinical outcomes

More details of the activities undertaken by GMAC in 2018 can be found at the Medical Advisory Committee Report on pages 133 to 138.

**TENDER EVALUATION COMMITTEE (TEC) MANAGEMENT**

**AMINUDIN BIN DAWAM (CHAIRMAN) - ED**  
**JASIMAH BINTI HASSAN - ED**  
**ROSLAN BIN AHMAD - SENIOR GENERAL MANAGER**

**AHMAD NASIRRUDDIN BIN HARUN - SENIOR GENERAL  
MANAGER**  
**UTHAYA KUMAR - SENIOR GENERAL MANAGER**

**Roles and Responsibilities**

- Evaluate and make its recommendations to the BTB on major purchases, acquisitions or disposal of assets, awards of contracts and appointments of consultants/advisors of the Group.

**ACTIVITIES IN 2018**

- Recommended tender for Hospital Development and IT projects to BTB
- Revised tender evaluation by adding Quality Assurance and Quality Control (QAQC) Procedures

**PRIORITIES IN 2019**

- To encourage prospective contractors to practice sustainable business
- To review the contractors evaluation process

## PRINCIPLE C

### INTEGRITY IN CORPORATE REPORTING & MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

The Group understands that one of its major responsibilities is to provide sufficient and timely information as and when necessary to its shareholders and investors, as this reflects good corporate governance practice. It is imperative to maintain transparency, build trust and understanding in the relationship through active dialogue and communication with shareholders and investors.

As part of the Group's commitment to promote a high level of communication and transparency with the investment community, experienced and senior level management personnel are directly involved in the Group's investor relations function. The President & Managing Director and senior management personnel hold discussions with analysts, investors and shareholders from time to time on the Group's results and performance.

The Senior Management personnel involved in Investor Relations activities are:

- Dato' Amiruddin bin Abdul Satar - President & Managing Director
- Aminudin bin Dawam - Executive Director
- Norhaizam binti Mohammad - Vice President (II) - Group Finance Services
- Khairul Annuar bin Azizi - General Manager - Risk, Compliance & Investor Relations

Presentations are made, where appropriate, to explain the Group's strategies, performance and major developments. However, any information that may be regarded as privileged material information about the Group will be safeguarded until such time that such information has been announced to Bursa Securities Malaysia as required by the MMLR.

All shareholders have an equal access to information. The Group has established formal channels to engage with shareholders and stakeholders:

#### COMMUNICATION AND ENGAGEMENT WITH SHAREHOLDERS

- Integrated Report, Sustainability Report, Corporate Brochures, Fact Sheets, Notice of AGM
- Announcements to Bursa Malaysia Securities
- Website Updates on all corporate communication
- Annual General Meeting
  - Primary engagement platform between the Board and the shareholders
  - 33-day notice was given for the AGM held on 23 April 2018
  - Attended by all Board members
  - Business presentation by President & Managing Director and the Chairman encourage shareholder to participate in Q&A session
  - Electronic poll voting on all resolutions and immediate announcement of results
  - In line with KPJ's EES initiatives which encourage green environment the shareholders will be able to access our Integrated Reports online instead of hard copy distribution. The report and proxy form can be downloaded at <http://kpj.listed.com/ar.html>

#### COMMUNICATION VIA MASS MEDIA

- Media Interview on Corporate Developments
- Social Media established on most popular social media platform at Group level and subsidiaries

#### ENGAGEMENT WITH ANALYSTS AND INVESTORS

- Analyst/ Investor Meetings
- IR Roadshow
- Quarterly Results and Audited Annual Financial Statement
- 16 Equity Research coverage on KPJ
- Hospital Visits by Analysts/Fund Managers and Shareholders
  - meeting hospital's management and touring the facilities hospital, to get a better understanding about hospital's operations

## CORPORATE GOVERNANCE OVERVIEW

## INVESTOR RELATIONS INFORMATION

## Investor Relations Activities

There was strong interest shown amongst analysts and fund managers to get the latest updates on KPJ, especially on the progress of KPJ's Malaysian hospital network expansion, business & financial performance of Malaysian, Indonesian, Australian and Bangladeshi operations.

## SHARE QUOTE

## Share Quote

Market : Main  
Sector : Healthcare  
Stock Code : 5878

## Share Price

High : RM1.15  
Low : RM0.84  
Close : RM1.04



FTSE4Good

KPJ Healthcare Berhad  
is a constituent of the  
FTSE4Good Index since  
20 June 2016

The senior management  
personnel involved in  
the Investor Relations  
activities are:

**Dato' Amiruddin  
bin Abdul Satar**  
President &  
Managing Director

**Aminudin  
bin Dawam**  
Executive Director

**Norhaizam binti  
Mohamad**  
Vice President (II)  
Group Finance Services

**Khairul Annuar bin Azizi**  
General Manager -  
Risk, Compliance and  
Investor Relations

www.kpjhealth.com.my

## LARGE GROUP MEETINGS

9 February 2018	<b>Kuala Lumpur</b> , Maybank Investment
5 March 2018	<b>Kuala Lumpur</b> , Menara KPJ President and Managing Director and Vice President - Group Finance (II) met analysts and fund managers
4 June 2018	<b>Kuala Lumpur</b> , Menara KPJ President and Managing Director and Executive Director met analysts and fund managers
12 July 2018	<b>Kuala Lumpur</b> BIMB Luncheon Talk

## ONE-ON-ONE MEETINGS/INVESTOR CONFERENCES

26-27 June	<b>Singapore</b> Citi ASEAN C-Suite Investor Conference 2018
26 July	<b>Kuala Lumpur</b> UOB Kay Hian - Industry 4.0 Conference
7 November	<b>Kuala Lumpur</b> Affin Hwang Capital Corporate Day
FY 2018	<b>One-on-one meetings</b> 45 meetings and met 174 analysts and fund managers

## HOSPITAL VISITS BY ANALYST AND SHAREHOLDERS

23 January	<b>Bangkok</b> , Vejthani Hospital Meeting with hospital's CFO and management team
19 September	<b>Kuala Lumpur</b> , KPJ Rawang, Selangor Meeting with hospital's ED and management team
7 October	<b>Penang</b> , KPJ Penang Meeting with hospital's ED and management team
7 November	<b>Jakarta</b> , Rumah Sakit Permata Hijau, Rumah Sakit Bumi Serpong Damai Meeting with hospital's ED and management team

## SUMMARY OF ACTIVITIES

	Meetings/Tele-conferences	Investor Conferences
2018	45	4
2017	51	4

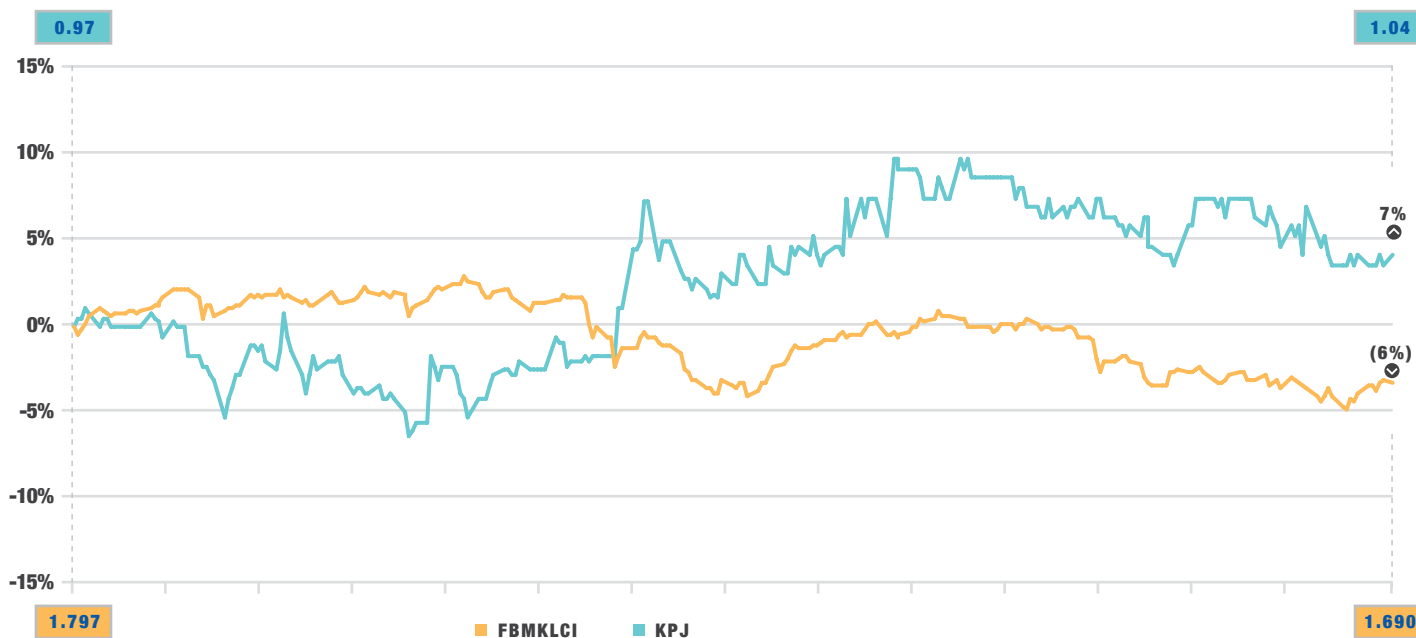
## GENERAL MEETING

Date	Meetings	Venue	Agenda
23 April	25 <sup>th</sup> Annual General Meetings	The Puteri Pacific, Johor Bahru	Re-election and appointment of new directors and presentation of Company's Performance

**KPJ Shares Performance**

2018 was a challenging and turbulent year which saw significant investment funds shifting away from the most global emerging markets including Malaysia. Against this backdrop, KPJ Share performance throughout the year was commendable, closing the year at RM1.04 compared to RM0.97 in 2017. This represented an 7% increase in KPJ Share price performance, compared to the drop in FBMKLCI performance of 6%.

**KPJ Share Price vs FBMKLCI as at 31 December 2018**



**KPJ Price and Volume Traded**

Year-on-year, the closing price of 2018 was RM1.04 represented an increase of 7 sen or 7% compared to 2017 closing price of RM0.97.



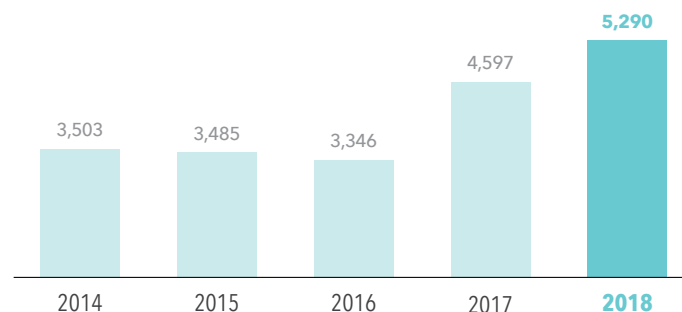


## CORPORATE GOVERNANCE OVERVIEW

**Individual Shareholders**

After share split in 2017, KPJ has attracted the interest of retail investors. As at 31 December 2018, the number of Individual shareholders increased by 15% to 5,290 shareholders from 4,597 shareholders previously.

AS AT 31 DEC	SHAREHOLDERS	SHARES
2014	3,503	202,859,600
2015	3,485	222,987,676
2016	3,346	208,581,404
2017	4,597	233,944,657
2018	5,290	222,683,811

**KPJ Share Price (Quarter)**

QUARTER	4Q2018	3Q2018	2Q2018	1Q2018
<b>Volume</b>	263,436,900	410,973,500	274,819,900	196,084,500
<b>Daily Average</b>	4,181,538	6,849,558	4,657,964	3,214,500
<b>Closing Price (RM)</b>	1.04	1.08	1.02	0.89
<b>Hi (RM)</b>	1.13	1.17	1.15	1.01
<b>Low (RM)</b>	1.01	0.99	0.84	0.87
<b>Trading Range (sen)</b>	12.00	17.50	31.00	14.00

**KPJ Share Price (5 years)**

	YEAR END					
	2018	2017	2016	2015	2014	2013
<b>Market Cap RM (billion)</b>	4.6	4.1	4.4	4.4	3.8	3.8
<b>Closing Price (RM)</b>	1.04	0.97	1.05	1.06	0.93	0.97
<b>High (RM)</b>	1.15	1.14	1.1	1.11	0.96	1.01
<b>Low (RM)</b>	0.84	0.90	1.02	0.90	0.89	0.96
<b>Foreign Shareholding (Shares) (%)</b>	6.67	7.45	8.80	8.94	9.87	12.95

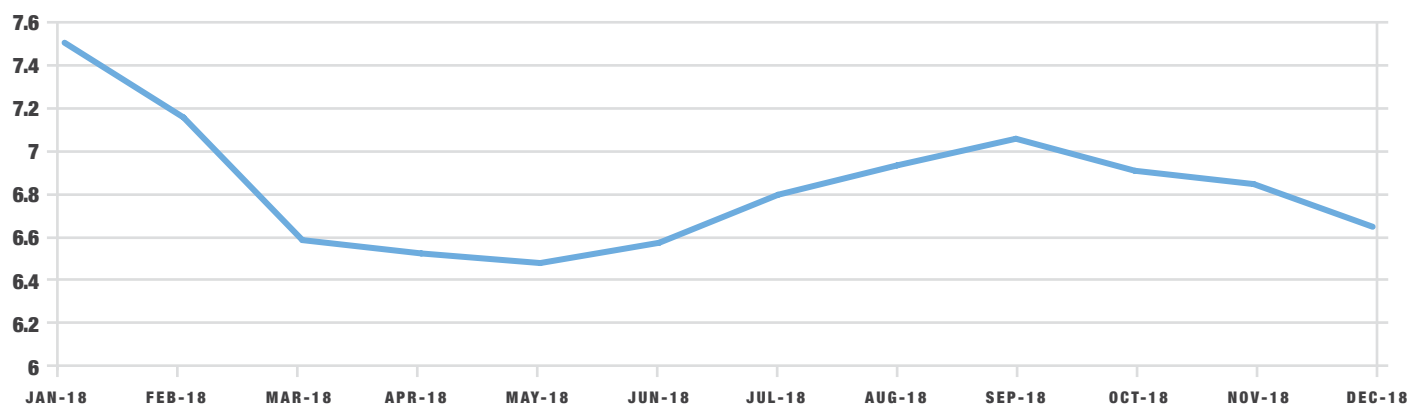
**Dividend**

In respect of the financial year ended 31 December 2018, the Group declared and paid the following interim payments:

- First interim single tier dividend of 0.50 sen per share on 4,213,630,292 ordinary shares, declared on 26 February 2018 and paid on 20 April 2018.
- Second interim single tier dividend of 0.50 sen per share on 4,214,465,132 ordinary shares, declared on 30 May 2018 and paid on 20 July 2018.
- Third interim single tier dividend of 0.50 sen per share on 4,200,750,613 ordinary shares, declared on 16 August 2018 and paid on 5 October 2018.
- Fourth interim single tier dividend of 0.50 sen per share on 4,307,294,237 ordinary shares, declared on 29 November 2018 and paid on 15 February 2019.
- The Directors did not recommend the payment of final dividend in respect of the financial year ended 31 December 2018.

Interim	Date declared	Date paid	Cents per share	No. of share	RM'million
1 <sup>st</sup>	26-Feb-18	20-Apr-18	0.50	4,213,630,292	21.1
2 <sup>nd</sup>	30-May-18	20-Jul-18	0.50	4,214,465,132	21.1
3 <sup>rd</sup>	16-Aug-18	5-Oct-18	0.50	4,200,750,613	21.0
4 <sup>th</sup>	29-Nov-18	15-Feb-19	0.50	4,307,294,237	21.5

**Foreign Shareholding**



**KPJ Warrant-B**

The trading interest for KPJ-WB since its listing on 29 January 2014 has been quite low, given the fact that KPJ-WB was only “in- the-money” since 1Q2015 with the exercise price of RM4.01.

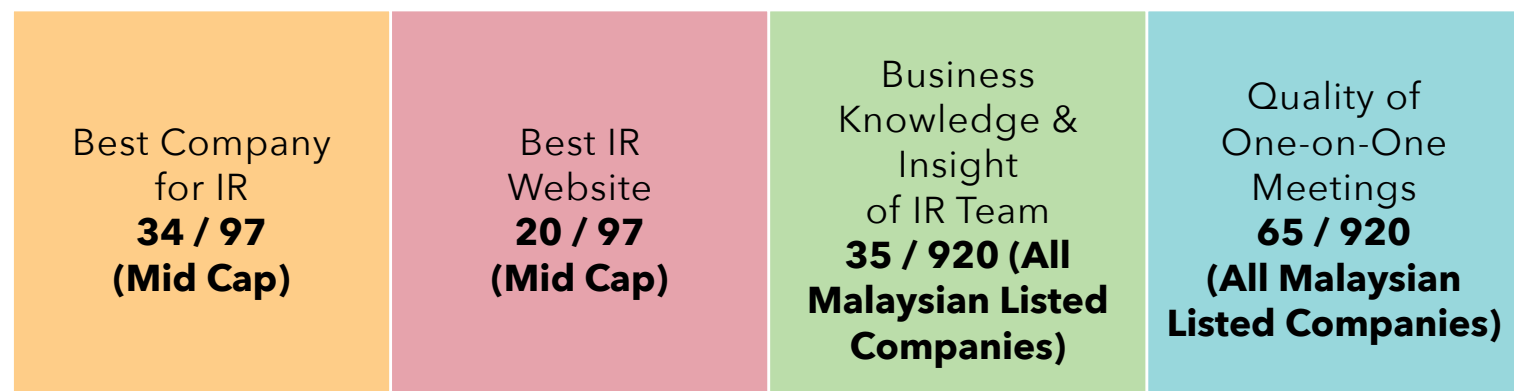
Arising from the Share Split, an additional 259,226,010 units of KPJ-WB were issued on the Entitlement Date. On the Ex-Date 21 September 2017, almost 17.1million units of KPJ-WB were transacted, which was the highest traded volume since its listing in 2014.

On 20 December 2018, an announcement was made to the warrant holders on the expiry date of the warrants 2014/2019. The expiry date was on 23 January 2019 at 5.00 pm. On expiry date, there were 244.1 million or 70.5% of warrant units that expired and unexercised.

**MALAYSIA INVESTOR RELATIONS AWARDS 2018 (IR AWARDS)**

The Investor Relations Awards 2018 (IR Awards) is the largest annual event in the Malaysian Investor Relations Association (MIRA)'s calendar. The awards is one of the culmination and dedicated initiatives for the Association in advancing and promoting good IR practices among listed entities in Malaysia.

In 2018, KPJ was nominated in the 8<sup>th</sup> Malaysia Investor Relations (IR) Survey and the results were as follows:



In partnership with KPMG Management and Risk Consulting Sdn Bhd, the awards were presented as a result of a survey undertaken between September to October 2018 by a media consultancy firm focusing on evaluating and rating the IR-related activities conducted by Malaysian companies and corporate individuals/professionals in 2017.

Over 900 legitimate investment professionals covering stocks in Bursa Malaysia were invited to take part in the survey.

# AUDIT COMMITTEE REPORT

## COMPOSITION AND ATTENDANCE

### Composition

The Audit Committee (AC) comprises four members, all of whom are Independent Non-Executive Directors, and also members of the Board of KPJ Healthcare Berhad; which satisfy the requirements of Paragraph 15.09 (1)(a) and (b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements (MMLR).

All members were appointed as new members of the AC on 24 April 2018 whilst all the former members had retired on 23 April 2018. The Chairman of AC, Dato' Muthanna bin Abdullah was appointed by the Board and is not the Chairman of the Board.

The composition of the Committee and the record of their attendance at AC meetings held during the financial year are as follows:

A member of the Committee, Christina Foo is a Chartered Accountant of the Malaysian Institute of Accountants. This meets the requirement of Paragraph 15.09 (1)(c) of the MMLR which stipulates at least one of the Committee members fulfils the financial expertise requisite.

Collectively, AC members are qualified individuals having the essential skills and expertise to discharge the Committee's functions and duties. AC's financial literacy and ability to understand the financial reporting process have contributed to the AC's discussion in upholding the integrity of the Company's financial reporting process and financial statements.

The annual review of the composition and performance of Audit Committee, including members' tenure, performance and effectiveness as well as their accountability and responsibilities, was duly assessed via the Board Effectiveness Evaluation.

### Attendance

AC meetings for 2018 were pre-arranged in December 2017 and communicated to the members early to ensure their time commitment. A minimum of four (4) meetings a year shall be planned, although additional meetings may be called at any time at the Chairman's discretion.

The quorum for all seven (7) meetings held during financial year 2018 was fulfilled. The meetings were held on 8 February 2018, 19 February 2018, 11 May 2018, 3 August 2018, 14 November 2018, 7 December 2018 and 18 December 2018 respectively.

The Company Secretaries act as the AC Secretary in all AC meetings. The President & Managing Director, Senior Management together with Head of Internal Audit and External Auditors shall normally attend the meetings. Other Directors, Executive Directors of the hospitals and employee of the company and/or Group may attend any particular meeting upon invitation where appropriate.

In year 2018, the External Auditors attended four (4) out of seven (7) meetings which were held on 8 February 2018, 19 February 2018, 3 August 2018 and 14 November 2018 respectively. Separate private sessions were also conducted without Management's presence on 8 February 2018, 3 August 2018 and 14 November 2018.

Minutes of the AC meetings were circulated to all members and extracts of the decisions made were escalated to relevant process owners for action. The Chairman of AC meeting provides a report and highlights significant points on the decisions and recommendations of AC to the KPJ Board.

NAME OF MEMBER	STATUS OF DIRECTORSHIP	NO. OF MEETING ATTENDED
<b>Zainah binti Mustafa*</b> <i>Former Chairman</i>	Independent Non-Executive Director	2/2
<b>Datuk Azzat bin Kamaludin*</b> <i>Former Member</i>	Independent Non-Executive Director	1/2
<b>Dr. Kok Chin Leong*</b> <i>Former Member</i>	Independent Non-Executive Director	1/2
<b>Dato' Muthanna bin Abdullah</b> <i>Chairman</i>	Independent Non-Executive Director	5/5
<b>Prof Dato' Dr. Azizi bin Haji Omar</b> <i>Member</i>	Independent Non-Executive Director	4/5
<b>Dato' Dr. Bajit Kor A/P Teja Singh</b> <i>Member</i>	Independent Non-Executive Director	5/5
<b>Christina Foo</b> <i>Member</i>	Independent Non-Executive Director	5/5
<b>Total Number of Meetings</b>		<b>7</b>

\* Retired as AC Member w.e.f on 23 April 2018

### TERMS OF REFERENCE

The duties and responsibilities of the AC is outlined in its Terms of Reference (TOR) which is available online in the Corporate Governance section at [https://kpj.listedcompany.com/audit\\_committee.html](https://kpj.listedcompany.com/audit_committee.html)

The TOR has excluded the duties and responsibilities on Risk Management as this function was transferred to the newly established Risk and Sustainability Committee (RSC) effective 23 April 2018.

### FOCUS AND ACTION PLAN

The AC received updates on key governance matters and issues across the Group at each Committee meeting. Areas of the AC's focus during the Financial Year include:

- Financial statements compliant with the Malaysian Financial Reporting Standards (MFRS) Framework.

The preliminary financial impact of the first adoption of new MFRS has been assessed accordingly as the effects of the adoption are required to be applied retrospectively.

- Reduction of Goods and Services Tax (GST) rate to zero percent and implementation of Sales & Services Tax (SST).
- Revised Tax Audit Framework released by the Inland Revenue Board (IRB) on 1 April 2018 with key changes on audit notification and deadlines for document submission and audit settlement period.
- Recent development in tax laws and regulations.

### SUMMARY OF WORK

During the year 2018, the Committee carried out the following work:

- **Financial results**
  - Reviewed the quarterly unaudited financial result announcements before recommending the same to the Board for approval;
  - Reviewed the Company's compliance, in particular the quarterly and year-end financial statements, with Malaysian Financial Reporting Standards, applicable disclosure provisions in the MMLR, and other relevant legal and regulatory requirements; and
  - Reviewed the impacts of any changes in accounting policies and adoption of new accounting standards together with significant matters highlighted in the financial statements.

- **Risk Management**

- Reviewed the system in place to identify, assess, mitigate and monitor Group-Wide Risk Assessment to promote and improve risk management awareness and processes; and
- Reviewed the risk profile of the Group and major initiatives having significant impact on the business.

Effective 23 April 2018, the above function was no longer carried out by the AC as Risk and Sustainability Committee has assumed this role.

- **Internal Audit**

- Reviewed and approved the annual audit plan for the year 2017/2018 to ensure adequate resources, competencies as well as comprehensive audit scope and coverage over the significant and high risk audit activities;
- Deliberated on the Internal Audit Reports that were tabled and appraised the adequacy of Management's responsiveness to the audit findings and recommendations;
- Evaluated the results of scheduled follow-ups, investigations and special audits performed and confirmed the appropriate actions were taken to correct the weaknesses;
- Assessed the status of audit activities as compared to the approved annual audit plan; and
- Revised the Audit Charter to include the updates on the requirement of International Professional Practice Framework (IPPF) from the Institute of Internal Auditor (IIA).

- **External Audit**

- Reviewed the audit plan, audit strategy and scope of work for the year;
- Reviewed the results of the interim and annual audit, audit reports, Management Letter together with Management's response to their findings and "Key Audit Matters";
- Assessed the independence and objectivity of the external auditors during the year and prior to appointment of the external auditors for adhoc non-audit services. The Committee also received from the external auditors their policies and written confirmation regarding their independence and the measures used to control the quality of their work;
- Deliberated on the updated development in Financial Reporting and Regulatory Environment;

## AUDIT COMMITTEE REPORT

- Assessed the performance of the External Auditors and recommended their appointment and remuneration to the Board of Directors; and
- Members of AC met with the External Auditors without the presence of Management on 8 February 2018, 3 August 2018 and 14 November 2018 respectively.

- **Related Party Transactions**

Reviewed the related party transactions and recurrent related party transactions entered into by the Group as well as any conflict of interest situation that arises within the Group.

- **Annual Reporting**

Reviewed and recommended the Audit Committee Report for Integrated Report to ensure compliance with relevant regulatory reporting requirements, prior to Board approval.

- **Other Matters**

- Deliberated on the progress and status on IT strategic issues;
- Reviewed and deliberated on the subsidiaries performance; and
- Deliberated on the status and updates on credit and inventory management of the Group.

- **Continuous Professional Development**

For the year under review, the relevant Committee members have attended various conferences, seminars and trainings and the details of the training attended are reported under the Corporate Governance Report, Practice 2.1 published on KPJ's website.

### INTERNAL AUDIT FUNCTION

The in-house Internal Audit Services carries out KPJ's internal audit function in assisting the Board to oversee that Management has in place a sound risk management, internal control and governance systems. The Internal Audit Services is headed by Khairol Badariah Basiron, a Certified Internal Auditor and a Professional Member of the Institute of Internal Auditors Malaysia. She holds a Bachelor of Accounting from Universiti Teknologi MARA.

Internal Audit Services, as the third line of defense, reviews the effectiveness of the internal control structures over the Group activities focusing on high risk areas as determined using a risk-based approach. All high risk activities in each auditable area are audited annually in accordance with the approved Audit

Plan. This is to provide reasonable assurance that such system continues to operate satisfactorily and effectively in the Group. Internal Audit Services also carries out investigative audits where there are improper, illegal and dishonest acts reported.

Internal Audit Services reports functionally to the Audit Committee and administratively to President & Managing Director, and is independent of the activities or operations of other operating units. Internal Audit Services's authority, scope and responsibilities are governed by its revised Audit Charter which is approved by Audit Committee on 14 November 2018 and aligned with the International Standards for Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA). All Internal Audit personnel signed an Independence Statement as well as a declaration on compliance to the Code of Ethics of the IIA in carrying out their duties.

The Internal Audit Services shall maintain a quality assurance and improvement programme to evaluate the conformance of internal audit activities to the International Standards for Professional Practice of Internal Auditing issued by IIA. The said programme includes Internal Audit Services function's self-assessment and assessment by a qualified independent assessor once in five years.

The audit reports which provide the results of the audit conducted are submitted to the Committee for review and deliberation. Key control issues, significant risks and recommendations are highlighted, along with Management's responses and action plans for improvement and/or rectification, where applicable. This enables the AC to execute its oversight function by reviewing and deliberating the audit issues, audit recommendations as well as Management's responses to these recommendations. Where appropriate and applicable, the AC directed Management to take cognizance of the issues raised and establish necessary steps to strengthen the system of internal control based on Internal Audit's recommendations.

The total costs incurred for maintaining the internal audit function of 16 staff for the financial year ended 31 December 2018 is approximately RM2.4 million, comprising mainly salaries and incidental costs such as travelling, accommodation and training cost. Various in-house training programmes and external courses were provided to staff members in the areas of auditing skills, technical skills, business acumen, strategic management and personal development to enhance the desired competency level.

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## AUDIT COMMITTEE REPORT

The Internal Audit Services within its terms and reference had the following work undertaken for the financial year 2018:-

- Reviewed and appraised the adequacy and integrity of the internal financial controls and information system controls so as to ensure that it provides a reasonable but not absolute assurance that assets are properly safeguarded;
- Ascertained the effectiveness of Management in identifying principal risks and managed such risks through the Risk Management Framework set-up by the Group;
- Ascertained the level of compliance with Group's plans, policies, procedures and adherence to laws and regulations;
- Appraised the effectiveness of administrative and financial controls applied and the reliability and integrity of data that is produced within the Group;
- Performed follow-up reviews of previous audit reports to ensure appropriate actions are implemented to address control weaknesses highlighted;
- Carried out investigations and special reviews requested by the Committee and/or Management;
- Witnessed the tender opening process for project. The witnessing process is to ensure the activities in the tendering process are conducted in a fair, transparent and consistent manner; and
- Prepared the Audit Committee Report for the Company's Integrated Report for financial year ended 31 December 2018.

During the financial year ended 31 December 2018, Internal Audit Services accomplished a total of 89 audits comprising scheduled financial and operational audits as well as IT audits at the hospitals and support companies. This also includes due diligence, special audits and ad hoc assignments. Reviews on compliance with the established procedures, guidelines and statutory obligations are also performed.

In line with the system improvements in revamping the client-server hospital information system, the upgrading of Hospital Information System (HITS) and KPJ Clinical Information System (KCIS) starting in 2018 to second generation cloud computing products of HITS2 and KCIS2 is part of the auditable areas. This is to assure that the expected controls as per process requirements are embedded in the system in order to ensure segregation of duties, data accuracy, integrity and reliability throughout the Group.

Investigations were also carried out at the request of the AC and Management on specific areas of concern to follow up in relation to high risk areas identified in the regular reports. These investigations provided additional assurance on the integrity and robustness of the internal control systems.

All findings resulting from the audits were reported to the AC, Senior Management and relevant Management of operating hospitals and support companies. Management of the operating hospitals and support companies were accountable to ensure proper rectification of the audit issues and implementation of action plans within the timeframe specified. Follow up by Internal Audit Services on the actions taken is updated in the subsequent audits. In addition, the Internal Audit Services played an advisory role in the course of performing its audit activities.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(PURSUANT TO PARAGRAPH 15.26 (B) OF THE BURSA MALAYSIA LISTING REQUIREMENTS)



**THE BOARD OF DIRECTORS OF KPJ HEALTHCARE BERHAD (KPJ) IS PLEASED TO PROVIDE THE FOLLOWING STATEMENT ON THE STATE OF RISK MANAGEMENT AND INTERNAL CONTROLS OF THE GROUP WHICH HAS BEEN PREPARED IN ACCORDANCE WITH THE STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL – GUIDELINES FOR DIRECTORS OF LISTED ISSUERS ISSUED BY BURSA MALAYSIA SECURITIES BERHAD.**

## RISK MANAGEMENT STRUCTURE

### BOARD OF DIRECTORS

bears overall responsibility for establishing the Group's system of internal controls and risk management framework as well as reviewing its adequacy, integrity and effectiveness

### AUDIT COMMITTEE AND RISK & SUSTAINABILITY COMMITTEE

reviews the adequacy and effectiveness of internal controls system and risk management framework through internal audits and risk management reviews conducted by the Group Internal Audit Services and the Risk and Compliance Services respectively.

### MANAGEMENT

responsible for implementing the Board's policies on risks and controls by allocating resources for the design and implementation of policies and procedures on risk management and internal control system to facilitate the identification and evaluation of significant risks faced by the Group and formulating adequate controls to manage these risks, according to the risk appetite set by the Board

#### BOARD RESPONSIBILITY

The Board affirms its overall responsibility for establishing the Group's system of internal controls and risk management framework as well as reviewing its adequacy, integrity and effectiveness. The Board has put in place a sound governance structure, risk management framework and internal control system pursuant to Principle B (II) of the Malaysian Code on Corporate Governance 2017 to ensure effective oversight of controls and risks in the Group.

The Risk & Sustainability Committee (RSC) and the Audit Committee (AC) reviews the adequacy and effectiveness of internal controls system and risk management framework through the internal audits and risk management reviews conducted by the Risk & Compliance Services and Group Internal Audit Services respectively. Issues raised and actions taken by Management to address these issues were deliberated in the RSC and AC meetings and the minutes of the RSC and AC meetings were then presented to the Board.

#### MANAGEMENT RESPONSIBILITY

The Management is overall responsible for implementing the Board's policies on risks and controls by allocating resources for the design and implementation of policies and procedures on risk management and internal control system to facilitate the identification and evaluation of significant risks faced by the Group and formulating adequate controls to manage these risks, according to the risk appetite set by the Board.

The principal objective of the risk management framework and internal control system is to identify and manage business risks effectively and safeguard assets.

As the internal controls system is designed to manage and reduce risks rather than eliminating them, the system can only provide reasonable assurance to the Board regarding the achievement of company objectives through:-

- effectiveness and efficiency of operations
- reliability of financial reporting
- compliance with applicable laws and regulations

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## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The likelihood of achievement of the Group's objectives is affected by limitations inherent in any internal control systems. The Management therefore has to consider the cost of implementation of internal controls against the expected benefits to be derived.

### RISK MANAGEMENT AND INTERNAL CONTROL STRUCTURE

#### Integrity and Ethical Values

The Group is committed to promote ethical behaviour culture in employees and medical consultants. At the annual staff assembly called "Pedoman" (Perhimpunan, Dialog dan Amanat), all employees and medical consultants are reminded of the five Core Values adopted by the Group, which are Safety, Courtesy, Integrity, Professionalism and Continuous Improvement. These core values guide all employees to achieve the Group's vision and support the business mission and goals.

Employees are expected to be transparent in their conduct to promote high ethical values and reaffirm their commitment to the Group through the Staff Integrity Pledge ceremony.

In addition, the Group also encourages employees to report directly to the President & Managing Director of any misconduct or unethical behaviour committed by any staff of the Group through the annual Borang Peradaban declaration.

To complement this expectation, the Group also has in place a comprehensive Policy of Whistle-Blowing that outlines the Group's commitment to promote the highest standards of governance, ethics and integrity in all aspects of business dealings. The Policy covers, inter-alia, three (3) tiers of whistle-blowing reporting line, comprising of the President & Managing Director, the Chairman of the Audit Committee and the Chairman of the Board, to facilitate whistle-blowing activities according to different possible circumstances. In order to encourage a conducive environment for effective whistle-blowing, the Policy also provides assurances on the preservation of identity, confidentiality of information and protection of whistle-blowers from possible retaliation. This policy provides an avenue for employees to raise genuine concerns internally or report any breach or suspected breach of any law or regulation.

The Group is also a signatory to the "Malaysian Corporate Integrity Pledge" since 2011, introduced by the Malaysian Institute of Integrity (MII) in support of the Government efforts to combat corruption and unethical practices.

The Group has put in place the "No Gifts and Entertainment" policy and "Annual Asset Declaration" policy applicable to all staff. The purpose of these policies is to uphold ethical and responsible behaviour by all its employees and to avoid conflict of interest situation in any ongoing or potential business dealings in the Group with various suppliers and service providers.

The Group has also established the "Corporate Integrity Agreement (CIA) for Vendors/Suppliers/Contractors since 2016 to

strengthen our integrity practices. The Group requires its Vendors/Suppliers/Contractors to adhere in all of their activities to the laws, rules and regulations. The Group expects the Vendors/Suppliers/Contractors to abide by the integrity agreement when conducting business with or for the Group.

In-line with the National Integrity Plan (NIP), in 2018, the Group has enrolled in the Certified Integrity Officer (CeIO) Programme in collaboration with JCorp and Malaysian Anti-Corruption Commission (MACC). Four (4) officers attended this up-skilling programme with the focus in managing the business integrity and its components.

Moving forward, with the aspiration and objectives of NIP, KPJ will develop "KPJ Corporate Integrity Plan 2019 - 2023". The objective of KPJ Integrity Plan are:-

- To inculcate the noble values and enhance the culture of professionalism and integrity within KPJ Group of Companies
- To enhance the governance, core competency and efficiency of service delivery
- To strengthen the resilience and productivity of KPJ Group of Companies staff in handling challenges ahead
- To ensure KPJ Group of Companies integrity and transparency is sustained in daily practices through elements of honesty, efficiency and trustworthiness

#### Control Structure

The Group adopts the COSO Internal Control Framework (COSO Internal Control Framework which was updated in 2017 - Enterprise Risk Management Integrating with Strategy and Performance) as a guide to ensure an appropriate and sound system of internal controls are in place, which encompasses five inter-related components i.e. the Control Environment, Risk Assessment Framework, Control Activities, Information and Communication and Continuous Monitoring process.

In 2019, KPJ is moving towards ISO 31000:2018 Risk Management Guidelines and will be adopting ISO 31000:2018 standard by June 2019, to be in line with KPJ's ISO Certification Programme.

The Group's operations is headed by the President & Managing Director, who is assisted by two (2) Executive Directors and three (3) Vice Presidents for the following functions:

- Group Finance Services
- Project Management, Biomedical & International Operation Services
- Group Marketing & Strategic Communication Services

All the hospitals within the Group are headed by an executive director who will oversee and control all the hospitals' operations.

At the hospital level, the Executive Directors and the Chief Executive Officers are assisted by the Medical Directors who oversee all clinical governance in the hospitals.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

At the Corporate level, the Group exercises its governance oversight via the Medical Advisory Committee on clinical matters and the Executive Committee (EXCO) on all hospital operations matters.

### Assignment of Authority and Responsibility

The Board has delegated certain responsibilities to Board Committees which function with clearly defined terms of reference. The functions and activities carried out by the Board Committees are set out in the Corporate Governance Report which is available at [www.kpjhealth.com.my](http://www.kpjhealth.com.my)

The Board also assigns authority and responsibility mainly to the EXCO which is headed by the President/Managing Director, to manage operations as well as discuss strategic issues pertaining to the delivery of services and business operations of the Group.

Several committees have been formed to identify, evaluate, monitor and manage the significant risks affecting the Group operations:-

- **Risk and Sustainability Committee (RSC)**  
RSC is entrusted to evaluate and review the assessment of risk identification, the effectiveness of Enterprise Risk Management, process of assessing and managing Group's Principle risks. The committee also reviews and evaluate the Group level risk exposures and management of significant clinical and non-clinical risks identified.
- **Medical Advisory Committee (MAC)**  
MAC is the apex clinical committee that is responsible for the Group's clinical governance framework and guidelines for sound and ethical medical practices.  
  
There are various sub-committees under the MAC; namely Clinical Governance Policy Committee, Clinical Governance Action Committee, Clinical Ethics Committee and Research & Development Committee.
- **Clinical Risk Management Committee (CRMC)**  
CRMC is entrusted to review and oversee the effectiveness of the clinical ERM framework. All major clinical risk incidents related to patient and staff safety are presented to CRMC.
- **Tender Evaluation Committee (TEC)**  
TEC is responsible for evaluating all tenders for purchases, acquisitions or disposals of assets, award of contracts and appointment of project development consultants/advisors for the Group. TEC will make appropriate recommendation to the Building and Tender Board Committee.

Note: The Term of Reference (TOR) is available at [www.kpjhealth.com.my](http://www.kpjhealth.com.my)

### Commitment to Continuous Learning

The Group, being in a service-oriented industry, recognises the importance of sustainable investment in improving the skills and competencies of its management, medical consultants and employees. This is achieved through facilitating various training programs, seminars, workshops and service quality initiatives.

To improve staff competency in delivering quality service, the Group spent RM11.1million in 2018 (2017:RM12.2million) on conducting staff training and development programs. Each employee is mandated to undergo at least 30 hours of training per year on work related areas such as customer service, clinical safety and leadership program, facilitated by the Group's Talent Management Services in collaboration with KPJ Healthcare University College's (KPJUC) teaching professionals or external trainers.

To promote continuous learning and upgrading of knowledge, the Group has a sponsorship program for eligible executives to further their studies in various post-graduate program in hospital management and clinical disciplines. Since this program was started in 2005, 95 staff have benefited and obtained their Masters degrees from various universities such as Universiti Teknologi Malaysia, Asia E-University, University of East London and KPJ University College.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

All Diploma holder Nurses, who represent around half of the Group's total workforce, are also encouraged to further their studies either for the Degree in Nursing or post-basic courses in OT, ICU, CICU, renal, midwifery and paediatric nursing at KPJUC or at any reputation institutions to enhance their knowledge and skills. This is also part of their career enhancement and development of academic activities at the hospitals.

Currently, 19 hospitals in the Group have received their accreditation certifications from the Malaysian Society for Quality in Health (MSQH), out of which four (4) hospitals namely KPJ Johor, KPJ Seremban, KPJ Ampang Puteri and KPJ Penang, have also been certified by the Joint-Commission International with the internationally recognised and prestigious "JCI Accreditation". It is the Group's aspiration that all hospitals in its network would be accredited upon reaching operational maturity.

### RISK MANAGEMENT FRAMEWORK

#### Group-Wide Objectives

The Board has established an organizational structure with clearly defined lines of accountability and responsibility to support the ideal control environment. The Audit Committee's responsibilities have been expanded to include the assessment of risks that the Group faces in its operations.

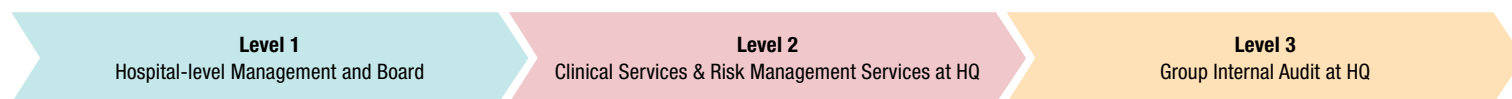


However, in 2019, KPJ is moving towards ISO 31000:2018 Risk Management Guidelines and will be adopting the ISO 31000:2018 standard by June 2019, to be in line with KPJ's ISO Certification Programme.

The Group has put in place an Enterprise-Wide Risk Management (ERM) framework for managing risks associated with its business and operations. The ERM framework features a risk governance structure that comprises of three (3) levels of defence with clear lines of responsibilities and accountabilities as follows:-

#### KPJ ERM Framework for Risk Governance

ERM Framework featuring KPJ risk governance structure with three (3) levels of defence as follows:



Risk Coordinators are appointed at each hospital to co-ordinate and monitor the implementation of risk management activities across all aspects of operations. All hospitals and subsidiaries are required to identify and mitigate relevant risks that may affect the achievement of the Group's objectives and report all significant risks arising from operations to their respective Boards.

The Group coordinates its risk management activities through a risk reporting and escalation framework called "Incident Reporting and Root Cause Analysis". This is to ensure that all risk incidents are documented, investigated and root causes are identified to prevent future recurrence and ensure patient safety is given top priority. Our reporting of Incident and Root Cause Analysis is via Q-Radar online risk reporting system which has been rolled-out to all hospitals in June 2017. Currently, all hospitals (West Malaysia and East Malaysia) have successfully reported incidents (clinical and non-clinical) via this online risk reporting system.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

As a healthcare service provider, clinical risk forms the biggest risk class the Group faces. Therefore, the Board has entrusted the CRM committee which comprises of medical consultants of various disciplines to review and deliberate on all reported risk incidences. The minutes and decisions of this committee are presented to the MAC, which is the apex-committee for all clinical matters of the Group.

Both clinical and non-clinical risk matters are also reported to the Risk and Sustainability (RSC) Committee which has oversight authority on all risk management and internal control issues of the Group.

### CONTROL ACTIVITIES

#### Policies and Procedures

Policies and procedures are documented comprehensively, which are reviewed regularly to ensure relevance and compliance with the current and applicable laws and regulations. These policies and procedures help to ensure that appropriate authority limits are in place, business activities are carried out according to set standards and necessary actions are taken to address and minimise risks and ensure the orderliness and continuity of business functions.

#### Segregation of Duties

The delegation of responsibilities by the Board to the Management and Operating Units are clearly defined and authority limits are strictly enforced and reviewed regularly. Different authority limits are set for different categories of managers for the procurement of capital expenditure, donations and approval of general and operational expenses. Similarly, cheque signatories and authority limits are clearly defined and enforced.

#### Key Performance Indicator (KPI)

KPIs with detailed balance scorecards are monitored and tracked to ensure the Group achieves the financial, strategic, operational and customer perspective targets that were set at the beginning of the financial year. The KPIs are cascaded down to all the operating subsidiaries in the Group.

### INFORMATION AND COMMUNICATION

#### Information Technology (IT)

Information and Communication Technology (ICT) continue to evolve by entering into Industry 4.0 Revolution through Artificial Intelligence and Digital Production, Internet of Things, Cloud Technology, Robotic Process Automation and Big Data. KPJ and its Corporate IT division align its ICT strategies moving ahead for the next 5 years. Hospital Information System delivering 2nd Generation product being, HITS2 and KCIS2 as cloud computing solutions and replace its 20 years old client server application solutions for 26 hospitals in 2018. Cloud Computing solutions reduce information and security risk while benefiting from Industry 4.0 initiative for collaboration and integration to improve operational efficiency.

Systems and processes more integrated and provide 3<sup>rd</sup> party integration, for instance, IBM Watson, Cognitive Machine Learning and Artificial Intelligence. Greater possibility to integrate with insurance to improve approval and payment clearance with further possibility of improving other payment methods through payment gateways. KPJ also has further plan in using AI Robotics and AI Imaging to improve services and greater integration between hospitals. Other technologies focus on wearable devices and integrate to HIS to improve wellness and care.

#### Communication and Information Sharing

The Group promotes the culture of effective communication and information sharing amongst the hospitals and key subsidiaries through the holding of functional group meetings and conferences. The objective behind these meetings and conferences is to share and reinforce key business strategies, review performance, discuss current issues and communicate new policies and procedures.

Such meetings and conferences are held either on monthly, quarterly or annual basis, comprising of diverse functional groups such as hospital management, chief nursing officers, finance managers, pharmacists and risk coordinators.

The Group conducts the Pedoman annual staff gathering at the beginning of every year, whereby achievements and challenges faced during the previous financial year are shared with staff, new strategic initiatives, corporate KPI and business targets for the new financial year are also presented.

#### Insurance Coverage

The Group has in place an adequate insurance coverage to protect its major assets against any mishaps that could result in material loss. The coverage is reviewed yearly taking into account the changes in risk profiles (acquisitions, claims and etc). All the staff in Group are covered by the Group Personal Accident for injuries resulting from incident or accident.

All directors, medical officers and professionals of KPJ Group has been covered by the Liability Insurance (Medical Malpractice Policy and Directors & Officers Policy) in respect of their potential exposure to any personal liability which may arise in the course of performing their duties.

The Management and Staff of KPJ Group are also covered by the Business Travel Protector Insurance for all their business travels.



## CONTINUOUS MONITORING AND ASSURANCE

### Ongoing Monitoring

The main assurance process of the Group is primarily undertaken by the Level 2 and Level 3 defence line functions. The effectiveness of internal control systems implemented throughout the Group is assessed primarily by the Group Internal Audit through the conduct of regular audits on the hospitals and key subsidiaries.

The assurance on the effectiveness of the ERM framework is provided primarily by the Group Clinical Services and Risk & Compliance Services through on-site and off-site reviews. In 2018, 24 clinical audits and 5 risk & compliance review were conducted by these departments respectively.

Reports generated by the Level 2 and Level 3 lines of defence mentioned above are presented to the Clinical Risk Management Committee and Risk and Sustainability Committee respectively for deliberation.

The Group's risk management framework and internal control systems do not apply to the associate companies where it does not exercise management control over their operations. The Group's interest are served through representation on the Board of Directors of these associate companies as well as through regular review of management accounts that they provide to the Group. The Board is satisfied with the information provided to assess the associates' performance for informed and timely decision-making on the Group's investments in these associates.

### Independent Evaluation

All hospitals certified with the MSQH and JCI accreditation have to undergo stringent surveillance audit by the respective surveyors and audit teams to ensure compliance with accreditation standards and requirements before accreditation certification can be renewed, usually every three (3) years.

In 2018, MSQH conducted two (2) hospital accreditation surveys and JCI conducted one (1) hospital survey as part of the accreditation process cycle.

### Review of This Statement By The External Auditors

This Statement on Risk Management and Internal Control has been reviewed by the External Auditors as required by Paragraph 15.23 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad for the inclusion in the Integrated Report for the year ended 31<sup>st</sup> December 2018. The limited assurance review was performed in accordance with Recommended Practice Guide (RPG) 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the External Auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control of the Group.

The External Auditors have reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of risk management and internal controls systems of the Group.

### ASSURANCE

The Board has received assurance from the President & Managing Director and Vice President (II) - Group Finance Services, that the Group's risk management framework and internal control system are operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of approval of this Statement for inclusion in the Integrated Report, based on the risk management and internal control system adopted by the Group.

The Board is of the view that the system of internal controls instituted throughout the Group is sound and effective and provides a level of confidence on which the Board relies for assurance. In the year under review and up to the date of this report, there was no significant control failure or weakness that would result in any material separate disclosure in the Integrated Report. The Board ensures that the internal control system and the risk management practices of the Group are reviewed regularly to meet the changing and challenging operating environment.

The Board is therefore pleased to disclose that the system of internal control and risk management of the Group is sufficient, appropriate, effective and in line with the Malaysian Code of Corporate Governance and the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers.

# MEDICAL ADVISORY COMMITTEES REPORT

CLINICAL GOVERNANCE IS THE CENTRAL PILLAR OF ANY HEALTHCARE ORGANISATION WHICH AIMS TO PROVIDE QUALITY PATIENT CARE.

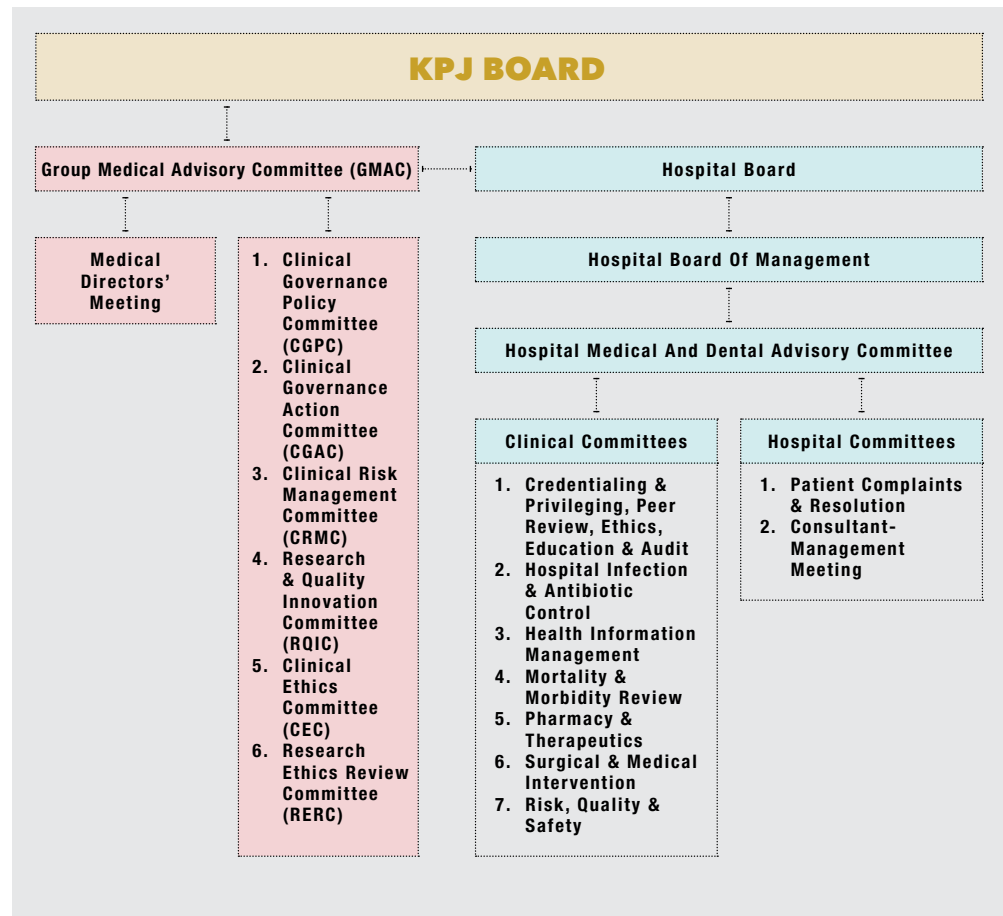
Within its framework are policies and processes that ensure patient safety, continuous improvement in quality of care and clinical effectiveness leading to a better patient experience and outcome. In the KPJ group, responsibility for clinical governance lies with Group Medical Advisory Committee (GMAC) while at the individual hospital it is with the hospital's Medical and Dental Advisory Committee (MDAC). The establishment of the hospital MDAC is mandated by the Private Healthcare Facilities and Services Act and by our own By-Laws. Decisions of the hospital's MDAC are discussed at the hospital meetings including at the Hospital Board.

The Group MAC functions in an advisory capacity and it has a few committees to look at different aspects of clinical governance. These committees report to the GMAC which in turn reports to the Board of Directors.

## Management of Clinical Governance - Clinical Governance Committees

### THESE ARE THE COMMITTEES OF GMAC:

- 1 **Clinical Governance Policy Committee (CGPC)**
- 2 **Clinical Governance Action Committee (CGAC)**
- 3 **Clinical Risk Management Committee (CRMC)**
- 4 **Clinical Ethics Committee (CEC)**
- 5 **Research & Quality Innovation Committee (RQIC)**
- 6 **Research Ethics Review Committee (RERC)**



## MEDICAL ADVISORY COMMITTEES REPORT

### GROUP MEDICAL ADVISORY COMMITTEE (GMAC)

The GMAC was formed in 2002, to initiate as well as to oversee clinical governance activities undertaken by the Group. The Chairman of the GMAC is an Independent Non-Executive Director as well as the KPJ Medical Advisor, Dato Dr Zaki Morad Mohamad Zaher, Consultant Nephrologist at KPJ Ampang Puteri.

We would also like to welcome two (2) new members, Dato' Dr. Bajit Kor A/P Teja Singh Consultant Ophthalmologist of KPJ Ampang Puteri who is also a member of KPJ Board of Directors and Dato' Dr N. Sivamohan, Consultant Obstetrician and Gynaecologist the Medical Director of KPJ Klang as well as Chairman of the Clinical Governance Policy Committee.

The Committee meets four (4) times a year.

NO.	MAC MEMBERS	MEETING ATTENDANCE			
		8 <sup>th</sup> Feb	4 <sup>th</sup> May	3 <sup>rd</sup> Aug	2 <sup>nd</sup> Nov
1.	<b>Dato' Dr. Zaki Morad bin Mohamad Zaher</b> Chairman Independent Non-Executive Director	√	√	√	√
2.	<b>Dato' Amiruddin bin Abdul Satar</b> President & Managing Director	√	X	√	√
3.	<b>Datuk Dr. Hussein bin Awang</b> Chairman, Medical Directors' Meeting	√	X	X	X
4.	<b>Dr. Kok Chin Leong<sup>(a)</sup></b> Chairman, CGPC	√	√	√	√
5.	<b>Dato' Dr S Sivamohan N<sup>(b)</sup></b> Chairman, CGPC	N/A	N/A	N/A	√
6.	<b>Prof. (C) Dato' Dr. Shahrudin bin Mohd Dun</b> Chairman, CGAC	√	√	√	√
7.	<b>Dato' Dr. Ngun Kok Weng</b> Chairman, CRMC	√	X	√	X
8.	<b>Dato' Dr. Fadzli Cheah</b> Chairman, CEC	√	√	√	√
9.	<b>Prof Dato' Dr. Azizi bin Haji Omar</b> Chairman, RQIC Independent Non-Executive Director	√	√	√	√
10.	<b>Dr. Mohd Hafetz bin Ahmad</b> Chairman of RERC	√	√	√	√
11.	<b>Dato' Dr. Bajit Kor A/P Teja Singh<sup>(c)</sup></b> Independent Non-Executive Director (w.e.f 1 <sup>st</sup> September 2018)	N/A	N/A	N/A	√
12.	<b>Jasimah binti Hassan</b> Executive Director, Business Operation, Technology and Clinical Services	√	√	√	√
13.	<b>Ms Gunavathy Kalee</b> General Manager, KPJ Clinical Services KPJHB	√	√	√	√

<sup>(a)</sup> Resigned as Chairman, CGPC w.e.f on 1 September 2018

<sup>(b)</sup> Appointed as Chairman, CGPC w.e.f on 1 September 2018

<sup>(c)</sup> Appointed as GMAC member w.e.f on 1 September 2018

## MEDICAL ADVISORY COMMITTEES REPORT

The Committees of GMAC and their roles are as follows:

### Clinical Governance Policy Committee (CGPC)

CGPC was formed in 2002 to develop policies relating to clinical practice, patient care, safety and quality improvement. These include:

- Establishment of evidence based practice;
- Assessment of new innovative and emerging technologies; and
- Compliance to national regulatory requirements and adoption of national/international practice guidelines.

It also reviews and advises GMAC on incident reports, clinical indicators, and complaints as well as deals with requests for clarification from Medical Directors, Consultants, Hospital Management, and staff.

### Clinical Governance Action Committee (CGAC)

CGAC formed in 2002, is the committee that is responsible for monitoring progress of implementation of policies or programs approved by GMAC. The committee also identifies problems that are hindering implementation of the agreed policies or programs. All the agreed policies or programs are analysed, evaluated and monitored in order to ensure quality in clinical care. CGAC oversees the implementation and monitoring of the annual clinical survey, highlighting to the Group lessons learnt from hospital mortality and morbidity review, and monitoring clinical performance indicators among others. CGAC also recommends training and development of hospital clinical staff.

### Clinical Risk Management Committee (CRMC)

The overall objective of CRMC established in 2003, is to promote safety and excellence in patient care. Its responsibilities include:

- Identify, prioritize and manage risk arising from clinical care;
- Ensure effective and efficient use of resources through evidence-based clinical practices; and
- Protect the health and safety of the patients, healthcare providers and visitors.

CRMC aims to reduce the clinical risk to a minimum by improving the quality of care received by patients and to ensure the maintenance of a safe environment for our patients, healthcare providers and visitors.

### Clinical Ethics Committee (CEC)

The committee was formed in 2011 and the objective of CEC is to assist consultants, patients and family as well as hospital staff to resolve clinically related ethical issues such as refusal of treatment, and end-of-life requests. The outcome should lead to the best interest of the patient. The committee also developed guidelines on ethical issues relating to patient care.

### Research & Quality Innovation Committee (RQIC)

The committee was established in 2010 to facilitate research within the KPJ Hospitals for Clinicians and KPJ staff who would like to conduct research involving clinical, quality, safety and/or healthcare related matters. Initially, the committee was known as Research and Development Committee and was renamed in February 2018 to promote the establishment of quality assurance and improvement programmes in the hospitals. The committee also oversees the process of research governance.

The committee meets (physically or by circulation of papers) only whenever there is a need to review research proposals.

In 2018, the Committee received proposals for four (4) research projects and three (3) were approved by GMAC as shown below:

- A National Survey on Prophylactic Antibiotics against Infective Endocarditis (I.E.) Following Invasive Dental Procedures: Professional Opinion from Malaysian Oral and Maxillofacial Surgeons, Cardiologists, Microbiologists, Family Medicine Specialists and Forensic Pathologists Personnel;
- Perception of Consultant on IV-to-Oral Switch in Antibiotic among Private Healthcare Practitioners; and
- Retrospective Comparison Study Between Vancomycin Individualized Pharmacokinetic Dosing versus Conventional Dosing Among Patients in Malaysian Private Hospital.

### Research Ethics Review Committee (RERC)

The RERC was set up in 2011 to review all proposals that are submitted to the Research and Development Committee (R&D) to conduct research in the KPJ Group of Hospitals. The RERC shall review both the scientific merit and the ethical acceptability of the research proposal. The committee is responsible to safeguard the rights, safety and well-being of the research subjects.

The committee only meets when a review is required otherwise discussions and approval are by circular resolution.



ACTIVITIES OF THE GROUP MEDICAL ADVISORY COMMITTEE AND ITS COMMITTEES IN 2018



**Development and Review of Policies and Guidelines**

One of the major activities of the clinical governance committees is developing new policies and guidelines as well as reviewing and updating all existing policies/guidelines to ensure evidence based processes are in place.

In year 2018, ten (10) new policies were approved for use and seven (7) were updated.

NEW POLICIES	REVIEWED POLICIES AND GUIDELINES
<ul style="list-style-type: none"> <li>• Nutrition Guidelines</li> <li>• Policy on Infertility Services</li> <li>• Process when introducing New Policies or Forms</li> <li>• Use of Pethidine/Opiates for Management of Pain</li> <li>• Guideline on Disposal of Medical Record</li> <li>• Student Access to Medical Record during Clinical Attachment</li> <li>• Guideline on Consent for Release of Patient’s Medical Information or Medical Report</li> <li>• Guideline on Advertising Using Social Media</li> <li>• Ethical issues of the Medical Pharmaceutical Relationship</li> <li>• Policy on Audio/Video recording</li> </ul>	<ul style="list-style-type: none"> <li>• Policy on Assessing Fitness for Practice of Doctors After Retirement Age (AFPDAR)</li> <li>• Policy on Obtaining Consent</li> <li>• Patient Consent on Animal Origin Related Medicines</li> <li>• Professional Calling cards and Letterhead</li> <li>• Managing Locums and Surgeon’s Assistants</li> <li>• Prevention and Control of Infection policies were reviewed based on Joint Commission International (JCI) standards and Centre for Disease Control and Prevention (CDC) guidelines</li> <li>• International Patient Safety Goals policies</li> </ul>

**Enhancing Clinical Governance**

Meetings with the doctors are one way to encourage participation of the doctors in clinical governance activities and to motivate reporting of clinical outcomes. During these meetings suggestions for new products or services as well as difficulty in executing certain policies/guidelines are also discussed.

- **Specialty meetings**  
Five (5) specialty meetings were held this year; Nephrology, Neurology, Ophthalmology, Orthopaedic and Neurosurgery. Meetings of the rest of the specialties will be completed by middle of year 2019.
- **Group Medical Directors meetings**  
Two meetings were held in 2018 on 25 June and 14 December 2018.
- **Regional Medical Directors’ Meeting**  
Two (2) regional Medical Directors meetings of the Southern and Central regions were held in 2018 and meetings with the Eastern and Northern regions were held in January 2019.
- **KPJ Healthcare Conference 2018**  
The annual KPJ Conference themed “Innovation in Healthcare Delivery” was held at Hotel Royale Chulan Damansara from 19<sup>th</sup> till 21<sup>st</sup> October 2018 was very well received. There were 502 registered participants, 60% were KPJ doctors, 28% were KPJ

staff and the others included KPJ University College and non-KPJ participants. We also received an over whelming response from our exhibitors who sponsored 40 booths for our event.

**Clinical Compliance**

Today, many people are concerned about finding the best ways to meet their health care needs. Accreditation means that we have been assessed against internationally recognised standards and operate to the highest levels of quality and service. Accreditation is the process in which certification of competency, authority, or credibility is presented.

Measurement of quality requires a reference standard and in KPJ, the Malaysian Society for Quality in Health (MSQH) and Joint Commission International (JCI) standards are used to benchmark our service reassuring our patients of the outstanding care provided by our doctors and nurses.

- **Accreditation by Malaysian Society for Quality in Health (MSQH)**  
In 2018, two (2) hospitals, KPJ Tawakkal (3<sup>rd</sup> cycle, 5<sup>th</sup> Edition standards) and KPJ Klang (2<sup>nd</sup> cycle, 5<sup>th</sup> Edition standards) were surveyed and have been accredited for a four (4) year term.



## MEDICAL ADVISORY COMMITTEES REPORT

- **Joint Commission International (JCI) Accreditation**

In 2018, KPJ Ampang Puteri (3<sup>rd</sup> cycle, 6<sup>th</sup> Edition standards) received JCI re-certification for a further three years.

- **Clinical Survey 2018**

The survey evaluates the compliance to Ministry of Health standards/guidelines, MSQH and JCI standards, Malaysian Medical Council (MMC) Guidelines and KPJ Governing Policies.

In 2018, 24 KPJ hospitals (19 accredited and five (5) non-accredited) were surveyed in 14 service areas, with an average result of 92%.

NO.	SERVICE AREAS SURVEYED
1.	Prevention and Control of Infection (PCI)
2.	Haemodialysis Service (HD)
3.	Central Sterilizing Supply Service (CSSS)
4.	Paediatric/Nursery Service
5.	Accident and Emergency Service (A&E)
6.	Endoscopic Service
7.	Intensive Care/Neonatal/Cardiac Intensive Care Service (ICU/NICU/CICU)
8.	Labour Room/Maternity Service
9.	Hospital Wide
10.	General Ward Service
11.	Operating Theatre Service (OT)
12.	Pharmacy Service
13.	Food and Dietetic Service
14.	Medical Records
	<b>Average Percentage: 92%</b>

- **Survey on Management of Intravenous (IV) Therapy**

Intravenous therapy is treatment that infuses intravenous solutions, medications, blood, or blood products directly into a vein. Approximately 80% of all patients in the hospital setting will receive intravenous therapy.

KPJ Nursing Service acknowledges the increasing importance of use of evidence in nursing care standards for patients receiving infusion therapies to enable sustainable improvements in quality and safety of patient care.

Based on third party audit findings that was conducted among several KPJ Hospitals, IV Care Bundle guideline was developed, IV monitoring tools were standardised and the option of using vein viewers were discussed.

- **Asia Pacific Hand Hygiene Excellence Award**

In 2016 KPJ Tawakkal, KPJ Selangor and KPJ Kajang attempted to achieve the Asia Pacific Hand Hygiene Excellence Award (APHHEA) and KPJ Tawakkal was shortlisted as a finalist. The survey findings showed that KPJ Hospitals already adhere to Ministry of Health and World Health Organisation (WHO) standards and guidelines. From the survey standards some best practices were identified for implementation at KPJ Hospitals.

These have been implemented at various levels at the hospitals in 2018:

- Using hand rub product from one supplier to prevent chemical interaction, gel form are preferred as it has moisturizing properties and prevent splashes;
- Use of apps for hand hygiene audit using smart phone;
- Enhance effective hand hygiene audit by giving infection control link nurses "protected time" and hand hygiene audit is announced before commencement of the audit;
- Involve patient in hand hygiene activities to ensure healthcare providers compliance by displaying information to educate patients to question healthcare providers whether hand hygiene was done prior to patient engagement; and
- Ensuring the WHO guideline is accessible to the staff.

- **Performance and Patient Outcomes**

Measurement of outcomes of disease course and progression, quality of clinical care being provided, success of the procedure/interventions carried out and actual benefit perceived by the patient can be used to strongly showcase the patients' progress and the success of treatments, the continuous monitoring of outcomes provides an opportunity for both assessing and improving quality of patients' health and care.

These are some of the reports being monitored:

- **Performance Outcomes**

Two (2) outcomes indicators that are Interventional Cardiology Procedures and Caesarean Section are being monitored this year. Next year in 2019, Nephrology, Ophthalmology and Neurology will be monitored.

- **Clinical Indicators**

The clinical indicators were reviewed and in 2018 and nine (9) indicators are being monitored.



• **Quality Indicators for Accident and Emergency Services**

Five (5) indicators have been identified and are being compiled and analysed.

A&E QUALITY INDICATORS		TARGETS
<b>QI 1 - Unplanned Re-attendance</b>	Within 24H Within 3 days Within 7 days	3% (MSQH target) 2 - 3% (International) < 5% (International)
<b>Q2 - Total Time in A&amp;E</b>	Within < 4 hours (%)	95% patients leave within 4 hours (International)
<b>Q3 - Left Without Being Seen by a Doctor</b>	Percentage of patient leaving without being seen	< 5% (International)
<b>QI 4 - Time to Assessment</b>	Patients assessed by SRN within ≤ 15 min (%)	95% patients assessed by SRN within ≤ 15 min (International)
<b>QI 5 - Time to Treatment</b>	Green Zone - Patients seen by doctor within ≤ 20 min (%)	80% patients seen by doctor within ≤ 20 min (KPJ target)
	Yellow Zone - Patients seen by doctor within ≤ 30 min (%)	95% patients to be seen by doctor within ≤ 30 min (KPJ target)
	ALL patients seen within 60 min	95% patients seen by doctor within 60 min (International)

• **Clinical Protocols for Accident and Emergency Services**

Three protocols (Acute Myocardial Infarct, Stroke and Dengue) have been developed and compliance will be monitored from 2019.

• **Early Warning Signs (EWS)**

EWS are tools used by hospital care teams to recognize the early signs of clinical deterioration in order to initiate early intervention and management, such as increasing nursing attention, informing the provider, or activating a rapid response or medical emergency team.

Awareness among the care givers, identifying the tools to trigger EWS and formation of the Rapid Response Team (RRT) was the primary focus in 2018.

**New Services**

Hospitals may need to expand or introduce new services in line with new technology or meeting customers' expectations and endeavour to provide a safe healing environment. These were some of the new services in progress:

• **Acute Stroke Centre**

KPJ is developing a new Acute Stroke Service that will initially start in one of the KPJ Klang Valley Hospitals. This centre will include comprehensive care of the stroke patient involving specialist doctors, interventional radiologists, physiotherapists, occupational therapists, dieticians and others.

Currently several of our hospitals are able to provide thrombolytic therapy for the ischemic stroke patients. In 2019 the provision of 'Neuro-interventional Mechanical Thrombectomy' is anticipated. Once successful, it can be extended to other KPJ Hospitals in the Group having the required resources and capability to support the service.

• **Remote Digital Health Monitoring System (RDHMS)**

The Remote Digital Health Monitoring System is a mobile "point of care" diagnostic coupled with monitoring application platform. It allows remote diagnostics with accuracy and the ability to assess multiple diseases and storing of data over a secure medical cloud. The target is to monitor Non-Communicable Disease and the Risk factors; blood pressure, sugar, following Malaysian Clinical Practice Guidelines.

The six (6) month pilot study was completed in December 2018. The pilot project involved three (3) KPJ Hospitals, KPJ Damansara, KPJ Kajang and KPJ Puteri and involving 10 doctors and 59 patients.

The doctors found that the patients were more regular with their medication and monitoring. One patient showed remarkable improvement in his HbA1C (a parameter used for blood glucose monitoring) after enrolment in the trial.

• **mQuit Smoking Cessation Program**

mQuit Smoking Cessation Program is a Public-Private Partnership Program to provide actionable support to potentially 4.8 million smokers in Malaysia to help them quit smoking. It provides three levels of support for smokers, namely; professional advice, materials to help quit smoking and enlisting the smoker's own willpower.

In 2018, seven (7) KPJ hospitals have been accredited as mQuit Training Centres by the Ministry of Health namely KPJ Ampang Puteri, KPJ Damansara, KPJ Selangor, KPJ Johor, KPJ Puteri, KPJ Sabah and Kuching Specialist Hospital.

# COMPLIANCE INFORMATION

In conformance with the Bursa Malaysia Securities Berhad Listing Requirements, the following information is provided:

## 1. UTILISATION OF SUKUK PROGRAMME

In year 2015, Point Zone (M) Sdn Bhd has raised RM1,500.00 million to be utilised for refinancing outstanding amount of previous Islamic Commercial Papers/Islamic Medium Term Notes Programme of up to RM500.0 million and to finance the expansion and working capital requirements of the KPJ Groups' healthcare related businesses.

	AMOUNT UP TO (RM MILLION)
At 1 January 2018	900.0
Issued during the financial year	200.0
At 31 December 2018	1,100.0

## 2. TREASURY SHARES

During the financial year, the Company repurchased 52,150,500 ordinary shares of its issued share capital from the open market for RM55,907,363 at an average price of RM1.07 per share. The repurchase transactions were financed by internally generated funds.

As at 31 December 2018, the Company held a total of 115,197,500 of its 4,399,148,119 issued ordinary shares as treasury shares. Such treasury shares are held at a carrying amount of RM111,318,576.

## 3. OPTIONS, SHARE-BASED PAYMENTS, WARRANTS OR CONVERTIBLE SECURITIES

### i. SHARE-BASED PAYMENTS

An Employees Share Option Scheme (ESOS) was implemented on 27 February 2015 for the benefit of senior executives and certain employees of the Company. The ESOS shall be in-force for a period of 5 years. The fair value of each share option on the grant date is RM0.25. The options are to be settled only by the issuance and allocation of new ordinary shares of the Company. There are no cash settlement alternatives.

The exercise price of the share options granted under the ESOS is RM0.91 each. The options granted are divided into 5 equal tranches which vest on 14 April 2015, 27 February 2016, 27 February 2017, 27 February 2018 and 27 February 2019. The vesting condition is that the offeree must be an employee or director, as the case may be, of the Company or its subsidiaries on the respective vesting and exercise dates. The options expire on 27 February 2020.

### ii. WARRANTS

On 29 January 2014, Warrants 2014/2019 were issued for free to the subscribers of the renounceable rights issue of 43,637,326 new ordinary shares of RM0.50 each in the Company's Rights Shares on the basis of one (1) Rights Share for every fifteen (15) existing shares held by the entitled shareholders of the Company, together with 87,274,652 free detachable new warrants (Warrants 2014/2019) on the basis of two (2) Warrants 2014/2019 for every one (1) Rights Share subscribed at an issue price of RM4.01 per Rights Share (Rights Issue).

Each new warrant (2014/2019) is entitled at any time during the exercise period, to subscribe for one (1) new ordinary share at the exercise price of RM4.01. During the previous year, each warrant has been adjusted to RM1.01 each pursuant to the Share Split exercise on 26 September 2017.

The warrants expired on 23 January 2019 and a total of 244,147,766 units now lapsed and no longer valid to be exercised.

## COMPLIANCE INFORMATION

### 4. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

During the financial year, the Company did not issue any ADR or GDR programme.

### 5. IMPOSITIONS OF SANCTIONS/PENALTIES

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by the relevant regulatory bodies.

### 6. AUDIT AND NON-AUDIT FEES

During the financial year, the amount of audit and non-audit fees for services rendered to the Group amounted to RM2,571,938 and RM1,474,435 respectively.

### 7. PROFIT ESTIMATE, FORECAST OR PROJECTIONS

The Company did not make any release on the profit estimate, forecast or projections for the financial year.

### 8. PROFIT GUARANTEE

There is no profit guarantee given by the Company in respect of the financial year.

### 9. MATERIAL CONTRACTS

There is no material contract by the Company and its subsidiaries, involving Directors' and major shareholders' interest substituting at the end of the financial year.

### 10. RECURRENT RELATED PARTY TRANSACTIONS STATEMENT

At Annual General Meeting (AGM) held on 23 April 2018, the Company obtained a shareholders' mandate to allow the Group to enter into recurrent related party transactions of revenue or trading nature with the following parties:

PARTY TRANSACTED WITH	NATURE OF TRANSACTIONS	ACTUAL AGGREGATE VALUE FROM 1 JANUARY 2018 TO 31 DECEMBER 2018 RM'000	FREQUENCY OF TRANSACTIONS
Johor Corporation	Secretarial fees payable	505	Monthly
Johor Corporation	Registrar fees payable	315	Monthly
HC Duraclean Sdn Bhd	Housekeeping contract fees payable	18,376	Monthly
Healthcare Technical Services Sdn Bhd	Fees payable for project management and maintenance of non-medical equipment	2,866	Contract basis
Teraju Fokus Sdn Bhd	Security services fees payable	5,909	Monthly
MIT Insurance Brokers Sdn Bhd	Insurance coverage payable	4,883	Contract basis
Damansara Asset Sdn Bhd	Building management service fees payable	1,272	Monthly
Metro Parking (M) Sdn Bhd	Rental Income for renting of land for car park	1,700	Monthly
Al-'Aqar Healthcare REIT	Rental payable for renting or retirement village building and aged care facility in Australia	11,675	Monthly
Al-Salam Real Estate Investment Trust	Rental payable for renting Malaysian College of Hospitality and Management	2,562	Monthly
		<b>50,063</b>	

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Twenty-Sixth (26<sup>th</sup>) Annual General Meeting (**AGM**) of KPJ Healthcare Berhad (**KPJ** or the **Company**) will be held at Permata Ballroom, Level B2, The Puteri Pacific Hotel, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor on Thursday, 18 April 2019 at 12.00 p.m for the following purposes:-

## AGENDA

### ORDINARY BUSINESS

- |    |   |                                    |
|----|---|------------------------------------|
| 1. | To receive the Audited Financial Statements for the year ended 31 December 2018 and the Reports of the Directors and Auditors thereon.  | <b>Please refer to Note (4)(i)</b> |
| 2. | To re-elect the following Directors of the Company who will retire in accordance with the Constitution of the Company:-   |                                    |
|    | (i) Dato' Kamaruzzaman Bin Abu Kassim - Rule 95 (i)   | <b>(Ordinary Resolution 1)</b>     |
|    | (ii) Dato' Amiruddin Bin Abdul Satar - Rule 95 (i)  | <b>(Ordinary Resolution 2)</b>     |
|    | (iii) Zulkifli Bin Ibrahim - Rule 95 (i)  | <b>(Ordinary Resolution 3)</b>     |
|    | (iv) Dato' Muthanna Bin Abdullah - Rule 96  | <b>(Ordinary Resolution 4)</b>     |
|    | (v) Dato' Dr. Bajit Kor A/P Teja Singh - Rule 96  | <b>(Ordinary Resolution 5)</b>     |
|    | (vi) Christina Foo - Rule 96  | <b>(Ordinary Resolution 6)</b>     |
|    | (vii) Jasimah Binti Hassan - Rule 96  | <b>(Ordinary Resolution 7)</b>     |
| 3. | To approve the Proposed Directors' fees of RM1,540,000 (Proposed Directors' Fees) for the financial year ending 31 December 2019 (2018: RM976,458) (Note (4)(ii))   | <b>(Ordinary Resolution 8)</b>     |
| 4. | To approve the payment of Directors' Remuneration (excluding Proposed Directors' Fees) to Non-Executive Directors (NED) for the period from 19 April 2019 until the conclusion of the next AGM of the Company (Relevant Period). (Note (4)(ii)) | <b>(Ordinary Resolution 9)</b>     |
| 5. | To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.  | <b>(Ordinary Resolution 10)</b>    |

### SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions:

- |    |  |                                 |
|----|--|---------------------------------|
| 6. | <b>AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT, 2016</b> | <b>(Ordinary Resolution 11)</b> |
|----|--|---------------------------------|

**"THAT** pursuant to Section 75 of the Companies Act, 2016 (Act), and approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered to issue and allot shares in the Company, from time to time, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10 percent (10%) of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities and that such authority shall continue in force until the conclusion of the next AGM of the Company. (See Note (5)(i))

7. **PROPOSED RENEWAL OF THE SHARE BUY-BACK AUTHORITY (PROPOSED SHARE BUY-BACK)** **(Ordinary Resolution 12)**

**“THAT**, subject to Section 127 of the Act, the provisions of the Main Market Listing Requirements of the Bursa Securities (**Listing Requirements**) and all other applicable laws, rules, regulations and guidelines for the time being in force, the Directors of the Company be and are hereby authorised, to make purchase(s) of ordinary shares in the Company on Bursa Securities subject to the following:-

- (a) The maximum number of shares which may be purchased and/or held by the Company shall not exceed ten percent (10%) of the total number of issued shares of the Company for the time being subject to the restriction that the issued capital of the Company does not fall below the applicable minimum share capital requirement of the Listing Requirements;
- (b) The maximum fund to be allocated by the Company for the purpose of purchasing its shares shall not exceed the retained profits of the Company; and
- (c) Upon completion of the purchase by the Company of its own shares, the Directors of the Company are authorised to deal with the shares so bought-back in their absolute discretion in any of the following manner:-
  - (i) cancel the shares so purchased; or
  - (ii) retain the shares so purchased as treasury shares and held by the Company; or
  - (iii) retain part of the shares so purchased as treasury shares and cancel the remainder; or,
  - (iv) distribute the treasury shares as dividends to shareholders and/or resell on Bursa Securities and/or cancel all or part of them; or
  - (v) transfer all or part of the treasury shares for purposes of an employees' share scheme, and/or as purchase consideration; or

in any other manner as prescribed by the Act, rules, regulations and guidelines pursuant to the Act, the Listing Requirements and other relevant guidelines issued by Bursa Securities and any other relevant authority for the time being in force;

**AND THAT** the authority conferred by this resolution shall continue to be in force until:-

- (a) the conclusion of the next AGM of the Company at which such resolution was passed, at which time the authority will lapse unless renewed by ordinary resolution passed at the AGM either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM is required by law to be held; or
- (c) revoked or varied by a resolution passed by the shareholders of the Company in a general meeting,

## NOTICE OF ANNUAL GENERAL MEETING

whichever is earlier, but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the Listing Requirements and other relevant guidelines issued by the Bursa Securities or any other relevant authorities.

**AND THAT** the Directors of the Company be and are authorised to do all acts, deeds and things and execute all necessary documents as they may consider necessary or expedient in the best interest of KPJ with full power to assent to any conditions, variations, modifications, arrangements and/or amendments in any manner as may be required or permitted under the Act, the Listing Requirements and other relevant guidelines issued by Bursa Securities and any other relevant authorities and to deal with all matters in relation thereto and to take such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Shares Buy-Back contemplated and/or authorised by this ordinary resolution." (Note 5(ii))

8. **PROPOSED SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (PROPOSED SHAREHOLDERS' MANDATE)** **(Ordinary Resolution 13)**

**"THAT** subject always to the provisions of the Act, the Listing Requirements or other regulatory authorities, approval be and is hereby given to the Company and/or its subsidiaries (**Group**), to enter into and give effect to the Recurrent Related Party Transactions of a Revenue or Trading nature, all with the particulars of which are set out in Part B of the Circular to Shareholders dated 19 March 2019 (**Circular**) with the Related Parties as described in the Circular, provided that such transactions are:-

- (a) recurrent transactions of a revenue or trading nature;
- (b) necessary for the day-to-day operations of the Company and/or its subsidiaries;
- (c) carried out in the ordinary course of business of the Company and/or its subsidiaries, made on an arm's length basis and on normal commercial terms not more favourable to the Related Parties than those generally available to the public; and
- (d) not detrimental to the minority shareholders of the Company;

**AND THAT** such authority shall continue to be in force until:-

- (a) the conclusion of the next AGM of the Company following this AGM, at which time the authority will lapse unless by a resolution passed at the AGM, such authority is renewed; or
- (b) the expiration of the period within which the next AGM after the date that is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extensions as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by a resolution passed by the shareholders of the Company at a general meeting;

whichever is earlier;

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## NOTICE OF ANNUAL GENERAL MEETING

**AND THAT** the Directors of the Company be and are authorised to do all acts, deeds and things and execute all necessary documents as they may consider necessary or expedient in the best interest of KPJ with full power to assent to any conditions, variations, modifications, arrangements and/or amendments in any manner as may be required or permitted under the Act, the Listing Requirements and other relevant guidelines issued by Bursa Securities and any other relevant authorities and to deal with all matters in relation thereto and to take such steps and do all acts and things in any manner as they may deem necessary or expedient to implement, finalise and give full effect to the Proposed Shares Buy-Back contemplated and/or authorised by this ordinary resolution." (Note (5)(iii))

**By Order of the Board,  
KPJ HEALTHCARE BERHAD**

HANA BINTI AB RAHIM @ ALI, ACIS (MAICSA 7064336)  
HASLINDA BINTI MD NOR @ MOHD NOAH (LS 0005697)

**Secretaries**

Johor Bahru  
Dated: 19 March 2019

**NOTES:-**

**(1) Members Entitled to Attend**

Only members whose names appear on the Record of Depositors as at 11 April 2019 are entitled to attend, speak and vote at the meeting.

**(2) Appointment of Proxy**

- a. A member entitled to attend and vote at this meeting is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at this AGM.
- b. If a corporation is a member of the Company, the corporation may by resolution of its Board or other governing body authorize a person or persons to act as its representative or representatives at this AGM.
- c. A certificate of authorization by the corporation shall be prima facie evidence of the appointment or the revocation of the appointment, as the case may be, of a representative under Section 333(5) of the Companies Act 2016 (**Act**).
- d. Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, (**SICDA**), it may appoint at least one (1) proxy in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- e. Where a member of the Company is an exempt authorized nominee, as defined under the SICDA, which holds shares in the Company for multiple beneficial owners in one securities account (**omnibus account**), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
- f. Where a member appoints more than one (1) proxy, the proxies shall not be valid unless he/she specifies the proportion of his/her shareholdings to be presented by each proxy.
- g. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, shall be deposited at the registered office of the Company at: KPJ HEALTHCARE BERHAD, Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

**(3) Voting by Poll**

Pursuant to Paragraph 8.29A(1) of the Listing Requirements, all the resolutions set out in this Notice shall be put to vote by poll.



## NOTICE OF ANNUAL GENERAL MEETING

**(4) EXPLANATORY NOTES ON ORDINARY BUSINESSES:****(i) Agenda 1 - Audited Financial Statements**

This item is meant for discussion only as the provision of Section 340(1)(a) of the Act does not require the Company to obtain shareholders' approval for its Audited Financial Statements. Henceforth, this Agenda is not put forward for voting.

**(ii) Agenda 3 and Agenda 4**

Pursuant to Section 230(1) of the Companies Act 2016 (**Act**) which came into force on 31 January 2017, the fees and benefits (**Remuneration**) payable to the Directors of the Company will have to be approved by the shareholders of the Company at a general meeting. In this respect, the Board of Directors of the Company hereby agree that the shareholders' approval shall be sought at the Twenty Sixth (26<sup>th</sup>) AGM commencing 19 April 2019 until the conclusion of the next AGM of the Company in 2020.

The proposed Resolution 9, if passed will allow the payment of the Directors' Remuneration (excluding Directors' fees) to the NED of the Company on a monthly basis and/or when incurred within the Relevant Period.

In view of the increasing challenges that the Company faces to grow its business, the Nomination and Remuneration Committee (NRC) saw the need to review its current rates of remuneration of the Chairman and NEDs to be able to maintain its competitiveness and sufficiency to attract and retain individuals with strong credentials and high calibre to serve on the Board of the Company. A review is also essential to be at par with the prevalent market practice, and to commensurate with the Directors' responsibilities, commitment and contribution with reference to their statutory duties, the complexity of the Group's business and increased expectations from various stakeholders.

An external consultant, Messrs KPMG Management & Risk Consulting Sdn Bhd (KPMG), was engaged to conduct a Remuneration Benchmarking for Board and Board Committees of the Company (Benchmarking) to assist the NRC to make recommendation to the Board on whether an increase in Chairman and NED's remuneration is advisable. KPMG has been producing a series of reports on the remuneration of NEDs of top public listed issuers on Bursa Malaysia Securities Berhad and the latest update is the 2017 edition.

In its review, KPMG has adopted comparators which includes similar representative healthcare provider across all Public Listed Companies on Bursa Malaysia Securities Berhad and also among other private healthcare providers. The outcome of the benchmarking indicated that the current Directors' remuneration lagged behind the Company's key comparators when normalised and the average remuneration of the NEDs is higher across the other private healthcare providers when normalised. In contrast with market norms, KPMG also noted that the Company's existing remuneration framework does not include a component for Board Committee fees. KPMG indicated that the Company can consider revising the remuneration framework of its NEDs with due consideration to the Company's nuances.

Having considered the positioning of the Board's remuneration for the past 4 years from 2015 to 2018, the Board on 12 March 2019 approved the NRC's recommendation for the proposed revision to the NEDs' fees as set out in the right column of the table below:

**1. Directors' Fees**

ANNUAL FEES	CURRENT RATE PER ANNUM (RM)	PROPOSED NEW RATE PER ANNUM (RM)
<b>BOARD OF DIRECTORS</b>		
Chairman	150,000.00	220,000.00
Other Members ( <i>per person</i> )	75,000.00	120,000.00

**NOTE:**

- i. The payment of the Directors' fees for nominee directors representing Johor Corporation will be paid to Johor Corporation as Corporate Fee.

**2. Directors' Remuneration**

**a. Committee Fees**

<b>ANNUAL FEES</b>	<b>CURRENT RATE PER ANNUM (RM)</b>	<b>PROPOSED NEW RATE PER ANNUM (RM)</b>
<b>COMMITTEES</b>		
<b>Audit:</b>		
Chairman	-	35,000.00
Member	-	25,000.00
<b>Risk &amp; Sustainability</b>		
Chairman	-	20,000.00
Member	-	15,000.00
<b>Building &amp; Tender Board</b>		
Chairman	-	20,000.00
Member	-	15,000.00
<b>Medical Advisory</b>		
Chairman	-*	216,000
Member	-	15,000.00

<b>ALLOWANCE FOR PROFESSIONAL ADVISORY SERVICES</b>	<b>2019</b>
*Monthly Allowance as Chairman of Medical Advisory Committee	RM18,000

**NOTE:**

- i. The payment of the annual fees for nominee directors representing Johor Corporation will be paid to Johor Corporation as Corporate Fee.
- ii. The payment of the Committees' annual fees are extended to all Directors in the Committees except for the Managing Director and Executive Directors of the Company.
- iii. The payment of Committee annual fees is not applicable to Nomination and Remuneration Committee and ESOS Committee.

**b. Meeting Allowances**

<b>MEETING ALLOWANCES FOR BOARD/ COMMITTEES (PER MEMBER/ PER MEETING)</b>	<b>CHAIRMAN</b>		<b>MEMBERS</b>	
	<b>CURRENT RATE (RM)</b>	<b>PROPOSED RATE (RM)</b>	<b>CURRENT RATE (RM)</b>	<b>PROPOSED RATE (RM)</b>
Board of Directors	3,500.00	4,000.00	2,500.00	3,000.00
<b>Committees:</b>				
Audit	3,500.00	4,000.00	2,500.00	3,000.00
Risk & Sustainability	1,000.00	3,000.00	500.00	2,000.00
Nomination and Remuneration	1,000.00	3,000.00	500.00	2,000.00
Building & Tender Board	1,000.00	3,000.00	500.00	2,000.00
Medical Advisory	500.00	4,000.00	400.00	3,000.00
ESOS	1,000.00	3,000.00	500.00	2,000.00

**NOTE:**

- i. The payment of Allowances are extended to all Directors except for the Managing Director and Executive Directors of the Company.

## NOTICE OF ANNUAL GENERAL MEETING

**c. Other Benefits**

DESCRIPTION	CHAIRMAN	NED
Other benefits ( <i>no change</i> )	Medical benefits	Medical benefits and company car for 1 NED

The above recommendation by the NRC is for the Company to do a calibration to align its directors' remuneration to that of the prevailing competition by increasing its annual remuneration to the normalised annual remuneration of similar representative healthcare provider across all Public Listed Companies on Bursa Malaysia Securities Berhad.

The Board is of the view that it is just and equitable for the NED to be paid the Directors' Remuneration on a monthly/quarterly basis and/or as and when incurred particularly after they have discharged their responsibilities and rendered their services to the Company throughout the Relevant Period.

In the event that the Directors' Remuneration (excluding Proposed Directors' Fees) proposed is insufficient (e.g. due to more meetings or enlarged Board size), approval of the shareholders of the Company will be sought at the next AGM for the additional remuneration to meet the shortfall. The estimated amount of RM951,188 for the Relevant Period is derived from a total of RM749,150 for FY2019 and a total of RM202,038 for the period from 1 January 2020 until the next AGM in 2020.

Details of the estimated Directors' Remuneration for NEDs for the Relevant Period are as below:-

**(a) Directors' Fees**

	2019	2018
Non-Executive Chairman	RM220,000 per annum	RM150,000 per annum
NED	RM120,000 per annum	RM75,000 per annum

**NOTE:**

The payment of the Directors' fees for nominee directors representing Johor Corporation will be paid to Johor Corporation as Corporate Fee.

**(b) Directors' Remuneration (excluding Directors' fees)****(1) Other Benefits**

DESCRIPTION	CHAIRMAN	NED
Other benefits	Medical benefits	Medical benefits and company car for 1 NED

**(2) Committee Fees**

COMMITTEE FEES	CHAIRMAN	NED
Audit Committee	RM35,000 per annum	RM25,000 per annum
Medical Advisory Committee	-*	RM15,000 per annum
Nomination and Remuneration Committee	Nil	Nil
Building and Tender Board Committee	RM20,000 per annum	RM15,000 per annum
Risk and Sustainability Committee	RM20,000 per annum	RM15,000 per annum

ALLOWANCE FOR PROFESSIONAL ADVISORY SERVICES	NED
*Monthly Allowance as Chairman of Medical Advisory Committee	RM18,000

**NOTE:**

- The payment of the annual fees for nominee directors representing Johor Corporation will be paid to Johor Corporation as Corporate Fee.
- The payment of the Committees' annual fees are extended to all Directors in the Committees except for the Managing Director and Executive Directors of the Company.
- The payment of Committee annual fees is not applicable to Nomination and Remuneration Committee and ESOS Committee.

**(3) Meeting Allowance**

MEETING ALLOWANCE (PER MEETING)	CHAIRMAN	NED
Board of KPJ	RM4,000	RM3,000
Audit Committee	RM4,000	RM3,000
Medical Advisory Committee	RM4,000	RM3,000
Nomination and Remuneration Committee	RM3,000	RM2,000
Building and Tender Board Committee	RM3,000	RM2,000
Risk and Sustainability Committee	RM3,000	RM2,000

**NOTE:**

- i. The payment of the Meeting Allowances are extended to all Directors except for the Managing Director and Executive Directors of the Company.

**(5) EXPLANATORY NOTES ON SPECIAL BUSINESS:**

**(i) Agenda 6 - Authority to Issue Shares Pursuant to Section 75(1) and 76(1) of the Act**

The proposed Ordinary Resolution 11 if passed is primarily to give flexibility to the Directors of the Company to issue up to maximum amount not exceeding in total ten percent (10%) of the total number of issued shares in the Company for the time being for such purposes as the Directors consider would be in the interest of the Company. This authority will, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next AGM or the expiration of the period within the next AGM required by law to be held, whichever is earlier.

- (i) The mandate sought under proposed Ordinary Resolution 11 is a renewal of an existing mandate particularly on the conversion of KPJ ESOS into ordinary shares at the price of RM0.91 per ordinary share.
- (ii) The proceeds raised from the previous mandate were RM114,998,952.
- (iii) The proceeds were utilized for working capital purposes.
- (iv) The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to placement of shares, for the purpose of funding future investment(s), project(s), working capital and/or acquisitions.

**(ii) Agenda 7 - Proposed Renewal of the Share Buy-Back Authority (Proposed Share Buy Back)**

The proposed Ordinary Resolution 12 if passed will empower the Directors of the Company to utilise any of its surplus financial resources to purchase the Company's own shares through Bursa Malaysia at any time within the time stipulated by utilizing the funds allocated out of the audited retained profit of the Company.

**(iii) Agenda 8 - Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Proposed Shareholders' Mandate)**

The proposed Ordinary Resolution 13 if passed, is primarily to authorise the Company and/its subsidiaries (**Group**) to enter into arrangements or transactions with Related Parties, particulars of which are set out in the Circular to Shareholders dated 19 March 2019 (**Circular**) circulated together with this Integrated Report, which are necessary for the day-to-day operations of the Group and are based on normal commercial terms that are not more favourable to the Related Parties than those generally made to the public.

The procurement of the Proposed Shareholders' Mandate would reduce substantially administrative time, effort and expenses associated with the convening of separate general meetings to seek shareholders' approval as and when potential Recurrent Related Party Transactions arise.

**(iv) For the Proposed Share Buy Back and Proposed Shareholders' Mandate, please refer the details in the Circular to Shareholders dated 19 March 2019.**

# STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Listing Requirements of the Bursa Malaysia:-

- The Directors who are retiring pursuant to Rule 95(i) of the Company's Constitution are as follows:-  
 Dato' Kamaruzzaman Bin Abu Kassim - Rule 95 (i)  
 Dato' Amiruddin Bin Abdul Satar - Rule 95 (i)  
 Zulkifli Bin Ibrahim - Rule 95 (i)
- The Directors who are retiring pursuant to Rule 96 of the Company's Constitution are as follows:-  
 Dato' Muthanna Bin Abdullah - Rule 96  
 Dato' Dr. Bajit Kor A/P Teja Singh - Rule 96  
 Christina Foo - Rule 96  
 Jasimah Binti Hassan - Rule 96
- A total of five Board Meetings were held during the financial year ended 31 December 2018.
- Details of Directors at Board Meetings held during the financial year ended 31 December 2018 are as follows:-

Date	25.02.18	23.04.18 (Special Board of Directors Meeting)	28.05.18	15.08.18	28.11.18
Directors/Venue	Level 24, Menara KOMTAR, JBCC, Johor Bahru	Persada Johor International Convention Centre, Johor Bahru	Level 16, Menara KPJ, Kuala Lumpur	Level 16, Menara KPJ, Kuala Lumpur	Level 16, Menara KPJ, Kuala Lumpur
<b>Non Independent Non-Executive Director</b>					
Dato' Kamaruzzaman Bin Abu Kassim	√	√	√	√	√
Zulkifli Bin Ibrahim	√	√	√	√	√
Mohd Sahir Bin Rahmat	√	√	√	√	√
<b>Non Independent Non-Executive Director</b>					
Tan Sri Siti Sa'diah Sh Bakir	√	√	√	√	√
Prof. Dato' Dr. Azizi Bin Haji Omar	-	√	√	√	√
Dato' Dr. Zaki Morad Bin Mohamad Zaher	√	√	√	√	√
YBhg Dato' Muthanna Bin Abdullah	-	-	√	√	√
Dato' Dr. Bajit Kor A/P Teja Singh	-	-	√	√	√
Christina Foo	-	-	√	√	√
Zainah Mustafa	√	√	-	-	-
Datuk Azzat Kamaludin	√	√	-	-	-
Dr. Kok Chin Leong	√	√	-	-	-
<b>Managing/Executive Director</b>					
Dato' Amiruddin Bin Abdul Satar	√	√	√	√	√
Aminudin Bin Dawam	√	√	√	√	√
Jasimah Binti Hassan	-	-	√	√	√

- Particulars of Directors seeking re-election at the Annual General Meeting are set out in Directors' Profile appearing in pages 93 to 104 of the Integrated Report.

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# PROXY FORM



KPJ HEALTHCARE BERHAD

Company No. 247079-M

No. of ordinary shares held	CDS account no.

I/We\* \_\_\_\_\_  
(Full name and NRIC No. /Company No. in block letters)

of \_\_\_\_\_  
(Full address in block letters)

hereby appoint \_\_\_\_\_  
(Full name and NRIC in block letters)

of \_\_\_\_\_  
(Full address in block letters)

or failing him/her, **THE CHAIRMAN** of the meeting as my/our proxy to vote for me/us\* on my/our\* behalf at the Twenty Sixth (26<sup>th</sup>) Annual General Meeting of the Company to be held at Permata Ballroom, Level B2, The Puteri Pacific Hotel, Jalan Abdullah Ibrahim, 80000 Johor Bahru, Johor on Thursday, 18 April 2019 at 12.00 p.m. and at any adjournment in respect of my/our holdings of shares in the manner indicated below:

RESOLUTION	DESCRIPTION	FOR	AGAINST
	<b>To Re-Elect Directors:</b>		
1	Dato' Kamaruzzaman Bin Abu Kassim		
2	Dato' Amiruddin Bin Abdul Satar		
3	Zulkifli Bin Ibrahim		
4	Dato' Muthanna Bin Abdullah		
5	Dato' Dr. Bajit Kor A/P Teja Singh		
6	Christina Foo		
7	Jasimah Binti Hassan		
8	To Approve Directors' Fee		
9	To Approve Payment of Directors' Remuneration		
10	To Re-Appoint Auditors		
	<b>Any Other Business</b>		
11	Authority to Issue Shares		
12	Proposed Share Buy Back		
13	Proposed Shareholders' Mandate		

(Please indicate with a (✓) in the appropriate box whether you wish your vote to be cast for or against the resolution. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit.)

\_\_\_\_\_  
Signature(s)/Common Seal of Shareholder(s)

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

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**NOTE:**

- a. A member entitled to attend and vote at this meeting is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at this AGM.
- b. If a corporation is a member of the Company, the corporation may by resolution of its Board or other governing body authorize a person or persons to act as its representative or representatives at this AGM.
- c. A certificate of authorization by the corporation shall be prima facie evidence of the appointment or the revocation of the appointment, as the case may be, of a representative under Section 333(5) of the Companies Act 2016 (**Act**).
- d. Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, (**SICDA**), it may appoint at least one (1) proxy in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- e. Where a member of the Company is an exempt authorized nominee, as defined under the SICDA, which holds shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
- f. Where a member appoints more than one (1) proxy, the proxies shall not be valid unless he/she specifies the proportion of his/her shareholdings to be presented by each proxy.
- g. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, shall be deposited at the registered office of the Company at: KPJ HEALTHCARE BERHAD, Level 16, Menara KOMTAR, Johor Bahru City Centre, 80000 Johor Bahru, Johor not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

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Affix postage  
stamp

**KPJ HEALTHCARE BERHAD** (247079-M)  
Level 16  
Menara KOMTAR  
Johor Bahru City Centre  
80000 Johor Bahru  
Johor, Malaysia

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[WWW.KPJHEALTH.COM.MY](http://WWW.KPJHEALTH.COM.MY)

**KPJ HEALTHCARE BERHAD** (247079-M)

Level 12, Menara KPJ, 238 Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia.

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